FMO VENTURES

Global Gateway

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Landscape Study on Debt Financing to Tech-enabled Startup and Scale-up Companies in Africa

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DEVELOPED IN PARTNERSHIP WITH Dalberg

This study is part of the Investing in Young Business in Africa (IYBA) programme, funded by the European Commission to strengthen market creation efforts and improve access to finance for young and early-stage businesses across key African markets. It aims to deepen the understanding of the financing gaps facing startups and scale-ups in SubSaharan Africa, with a particular focus on why early-stage debt remains difficult to access and scale.

It draws on insights from more mature ecosystems and on the FMO Ventures Program team's experience working with startups in emerging markets. By identifying where targeted interventions can unlock meaningful growth, the study directly supports FMO's market creation objective of developing and deploying innovative, fit-for-purpose financial and non-financial solutions that strengthen local business ecosystems.

The report is designed as a practical resource for startups, investors, development finance institutions, and regulators. By outlining the key barriers and enablers within the entrepreneurial landscape, it clarifies the role each stakeholder can play in building more resilient, inclusive, and investable markets. The insights aim to catalyze coordinated action that accelerates sustainable private sector development across the region.

Overall leadership of the project was provided by Pim Engels and Tobias Dekkers of the FMO Ventures Program team and Rosalind Tan of the FMO Market Creation team, with valuable contributions from the wider FMO team.

This report has been prepared in the public interest and is made available as an open resource. The report has been produced in partnership with Dalberg Advisors, a strategic advisory firm that works collaboratively across the public, private and philanthropic sectors to drive inclusive and sustainable growth. The Dalberg team behind this report was led by Boikanyo Mothibatsela and Anna Selejan, and included team members Charlotte Pressdee and Jeremy Kim with additional analytical support from Akarsh Sinha. The contents of the report are the responsibility of the authors. They do not necessarily reflect the views of the European Commission or of FMO.

All images included in this report are sourced from FMO's official corporate photography.

This report was made possible through the invaluable insights gained from interviews with companies, debt providers, and ecosystem experts. FMO and Dalberg Advisors extend our gratitude to these partners for their generosity in sharing their time, experience, and expertise. These interviews were essential to add depth and nuance to the report. All perspectives have been aggregated and interpreted by FMO and Dalberg Advisors and do not represent the views of any single company, debt provider or ecosystem expert.

Tech-enabled companies: Apollo Agriculture, Aquarech Ltd., Ecobodaa Mobility, Kofa, Koolboks, Kopo Kopo, Okra Solar, Oliv, Omniretail, Pumpkn, Sproot, SunFi, Tagaddod, Yoco

Debt providers: Acumen Hardest to Reach Fund, Africa Frontier Capital (AFC), Africinvest, ALMA Sustainable Finance, Beyond Capital Ventures, Cauris Finance, Cygnum Capital, Delta40, Global Innovation Fund (GIF), Lendable, Masunga Tech / Bridgin, Mobilis Capital Partners, Newtown Partners, Odyssey Energy Solutions, Renew Capital, Seedstars: SECO Startups Fund, Symbiotics, Timon Capital, Triodos, Triple Jump, Village Capital

Ecosystem Experts: Accion, Aceli, ARIA, CGAP, CrossBoundary

The research team greatly benefitted from access to the Africa: The Big Deal database. The database of startup deals was enormously helpful when building our understanding of the landscape of tech-enabled companies accessing debt financing and the landscape of debt providers serving startups and scale-ups across Africa.

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Kruijff, David, and Alexander Sotiriou. "Innovative Financing for Inclusive Credit Fintechs in Africa." 2025. Working Paper. Washington, D.C.: CGAP.

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Executive Summary

Across Africa, debt financing to early-stage, tech-enabled companies accounts for a rising share of funding, yet the market remains nascent and concentrated in a small number of larger transactions. As growth in early-stage debt reshapes the capital mix available for African startups, the boundary between debt and equity within Africa's capital-constrained ecosystems can sometimes become blurry. Nevertheless, surveys and interviews indicate strong demand for sub-USD 5 million, fit-for-purpose debt and the emergence of specialized providers, despite persistent supply and product gaps.

This report examines how early-stage debt for tech-enabled companies can be scaled sustainably. The report defines debt as borrowed capital repaid with interest and fees, which can effectively fund capital-intensive needs, including short-term liquidity and growth investments. This definition excludes quasi-equity instruments often included in traditional 'venture debt' definitions which focus on providing short-term runway extension. The analysis considers early-stage companies to include Seed- to Series B-stage companies with initial debt financing needs of up to USD 5 million, typically the most underserved in our research and experience. The report focusses on FinTech, AgriTech, and CleanTech companies across ten African markets[1], analyzing their debt needs, available financing options, and remaining supply gaps. Considering lessons from markets outside Africa, the report draws conclusions on how to scale early-stage debt finance across African markets.

While early-stage, tech-enabled companies seek debt financing for effective use-cases, some debt preferences are not necessarily feasible for debt providers to meet sustainably and at scale. Early-stage companies most commonly seek debt for on-lending, working capital, and capital expenditure (CapEx), but face barriers to accessing appropriate finance due to eligibility criteria designed for mature firms, lengthy due diligence processes, misaligned products, and limited transparency across the debt provider landscape. At the same time, companies often seek early access to debt with minimal collateral, long tenors, and low interest rates. However, lending to companies still validating their business models and lacking collateral exposes debt providers to high risk with limited upside. Similarly, low interest rates may not offset the elevated costs of sourcing, assessing, monitoring, and managing investments in early-stage companies.

Debt providers must balance innovation in products and investment processes to meet company needs with the necessity to build commercially sustainable and scalable models. Evidence from Africa and comparable markets shows that specialist early-stage lenders can address many company debt access constraints through data-driven underwriting, more flexible collateral approaches, and tailored ticket sizes and repayment structures. In more developed markets, lenders are also compensated for the higher risk of early-stage debt via equity-linked debt products, such as term loans with warrants, which remain uncommon in Africa due to limited exit pathways. However, the scope for such innovation is constrained by providers' access to capital, investor requirements, and the need to demonstrate track record and scale sustainably over time.

The analysis finds that constraints to scaling early-stage debt sustainably in Africa are driven primarily by ecosystem-level barriers rather than company- or lender-specific factors. Even specialist early-stage lenders face structural constraints, including limited access to suitable on-lending capital, Foreign Exchange (FX) risk from currency mismatches between funding and company revenues, a shallow pipeline of investment-ready companies, and regulatory uncertainty that restricts innovative structures such as securitization. As a result, expanding early-stage debt provision ultimately depends on broader ecosystem improvements, including stronger insolvency frameworks, more mature startup support systems, and greater availability of long-term, ideally local-currency, financing.

Scaling early-stage debt requires a dual approach: expanding existing and emerging providers' offerings while addressing ecosystem constraints to expand feasible future investment models. Drawing on learnings

1. Including Egypt, Kenya, Nigeria, South Africa, and emerging (IYBA) markets Côte d'Ivoire, the DRC, Ethiopia, Senegal, Tanzania, and Uganda.

from markets outside of Africa, the report concludes early-stage debt can be scaled through both specialist and mainstream providers where enabling ecosystems and public support are in place. Typically, more mature debt markets have leading specialized, data-enabled non-bank providers, (partially) funded or incentivized by public actors, which introduce tailored products, including low-collateral loans and receivables financing. With sustained public risk-sharing, banks may enter selectively but can reach significant scale.

In the near term, existing or emerging models can expand through catalytic capital, risk-sharing, and co-lending mechanisms.

Solution 1: Capitalize and de-risk specialist funds and facilities to scale debt offerings for lending companies. Specialist small-ticket debt funds and facilities targeting lending companies offer underwriting approaches and products tailored to early-stage realities. Scaling these models often depends on blended finance, where equity, mezzanine or junior debt provides first loss, risk tolerant capital to crowd in commercial, especially local, investors. Philanthropic foundations, catalytic capital providers and Development Finance Institutions (DFIs) are well placed to supply such de risking layers. And for more, local public actors, such as national development banks, could provide this capital in local currency, reducing FX risk. Public mandates or incentives may still be needed to mobilize local commercial investors to invest in senior tranches given their high return expectations. Funds also need access to long-term capital to enable longer tenors which can serve a broader range of end beneficiaries, while delegated co-lending mandates could allow funds to offer tickets up to USD 5 million without concentrating too much capital in a single investee or losing efficiency.

Solution 2: Validate the sustainability of concessional-return debt funds serving non-lending companies. Concessional-return debt funds are emerging to address the needs of underserved companies and markets with more flexible debt offerings, including longer tenors, tailored collateral requirements, and lower pricing. These funds require risk-bearing capital, such as concessional debt or repayable grants, to validate their investment models. Beyond this, they also require blended and appropriately priced capital to scale while keeping their debt accessible, targeting end borrower rates of 8-10% USD/EUR after accounting for their operating costs, typically 2-3% of loan value. Like specialist funds, concessional-return funds would benefit from delegated co-lending mandates.

Solution 3: Incentivize local banks to provide local currency loans. Banks remain the largest source of local currency but are reluctant to serve early-stage companies, as established companies offer more attractive risk-return profiles. Banks require strong incentives, such as partial credit guarantees and origination grants, to offset the high proportional costs and risks of small, early-stage transactions. Banks also need capacity building to design fit-for-purpose products, develop tailored risk assessments, train credit teams, and monitor the pass-through of terms.

Ecosystem interventions are needed for providers to scale further and more debt providers to enter the early-stage market.

Solution 4: Advocate for strong legal and regulatory environments to expand viable lending models. Targeted reforms could improve lending feasibility and support innovation. For example, more predictable and less costly collateral enforcement and supportive regulation for off-balance-sheet transactions.

Solution 5: Fund research and share performance data on feasible lending models. Knowledge-sharing could provide guidance on how proven models navigate existing legal and regulatory frameworks, particularly for innovative approaches such as receivables refinancing. In parallel, sharing performance data could help inform traditional lenders' view of the risk-return profiles for early-stage debt financing.

Solution 6: Create market-level technical assistance to increase debt providers' pipeline. Support can help companies strengthen investment readiness, build the ability to use debt effectively – understanding if debt is appropriate, articulating financing needs, managing repayments, and avoiding overly restrictive early facilities – and connect with relevant debt providers.

Solution 7: Strengthen early-stage equity finance to unlock complementary debt and enable equity-linked debt products. Sufficient equity capital is essential to ensure companies can use debt for return-generating purposes rather than as a substitute for equity. Credible exit avenues also enable more equity-linked debt products such as term loans with warrants. Emerging specialist secondary vehicles can play a key role by acquiring existing stakes in impact-focused companies and funds, thereby strengthening exit pathways and providing liquidity.

Together, these measures can help scale early-stage debt sustainably, enabling debt to be an effective and complementary source of finance for early-stage, tech-enabled companies in Africa.

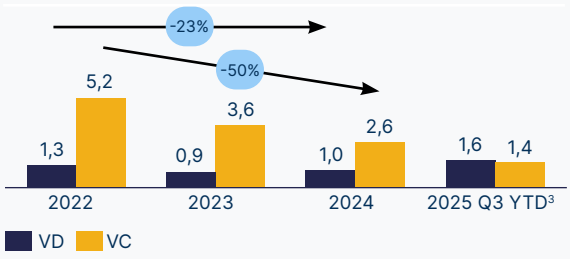
01

The Growing Share of Debt in Early-Stage Finance in Africa

Early-stage, tech-enabled companies across Africa are increasingly using debt to finance growth, with debt accounting for an increasing share of early-stage financing. The Africa Venture Capital Association (AVCA) tracks early-stage equity and debt as venture capital (VC) and venture debt (VD).[2] While VD deal value declined by 23% between 2022 and 2024, VD as a share of VC increased from 25% to 38%. This accelerated in 2025, with USD 1.6 billion in VD by year-to-date Q3, exceeding both the full-year 2024 VD total and the USD 1.4 billion in VC over the same period.[3]

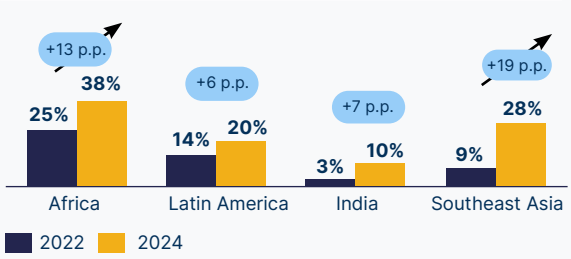
Growth in early-stage debt is reshaping capital mixes for African startups, sometimes blurring the boundary between debt and equity within Africa's capital-constrained ecosystems. Limited equity and preferences for non-dilutive capital can result in debt use for needs better suited to equity[4], increasing lender risk while offering limited upside and undermining the sustainability of debt models. In other markets, warrants help address this imbalance by providing equity-linked upside, but they are less common in Africa due to constrained exit avenues. The relatively high share of VD compared to VC across Africa suggests a material risk that debt is substituting equity. Survey data from 57 companies collected for this report also points to this dynamic: 59% of respondents cited a desire to avoid dilution of ownership and control as a top-three reason for seeking debt, while simultaneously asking for low-collateral, long-tenor, and low-cost debt that more closely resembles equity-like terms, as discussed further in the following demand section.[5]

Figure 1: VD and VC deal value, in Africa (USD Bn)
FY2022 - YTD Q3 2025



Notes: VD data begins 2022 and data for full-year 2025 was not yet available at the time of writing
Source: AVCA, 2022, Venture Capital in Africa Report; AVCA, 2024, Venture Capital in Africa Report

Figure 2: VD % of VC deal value, across regions
FY2022 - 2024



Notes: VD as % of VC deal value estimated from regional reports
Source: AVCA, 2022, Venture Capital in Africa Report; AVCA, 2024, Venture Capital in Africa Report; LAVCA, 2025, Trends in Tech Report; Stride Ventures, 2025, Global Venture Debt Report

Despite growth, the African early-stage debt market remains nascent. Debt financing is concentrated in a relatively small number of larger transactions. In 2024, early-stage debt deals totaled USD 1.0 billion across 60 transactions, compared to 367 early-stage equity transactions.[3] The mean debt deal size was approximately USD 16.7 million and the median USD 7.5 million, around three times higher than the median equity deal size.[3] This difference is partly expected, as equity typically is seen as more appropriate financing for earlier-stage tech-enabled companies.

In this context, this report examines how debt for early-stage tech-enabled companies in Africa can be scaled sustainably. The analysis considers early-stage companies to be Seed- to Series B-stage with initial financing needs of up to USD 5 million, which based on research and experience shows the largest supply gap. The focus is FinTech, AgriTech, and CleanTech companies across ten African markets including Egypt, Kenya, Nigeria, South Africa and emerging (IYBA) markets Côte d'Ivoire, the DRC, Ethiopia, Senegal, Tanzania, and Uganda.[6] Insights draw on surveys of 57 companies and 21 financiers, contextualized by 41 stakeholder interviews, active across the focus

2. Data is self-reported by financiers in the AVCA network. AVCA do not have a strict definition for venture debt and fund managers can define debt in varied ways, including incorporating quasi-equity financing (i.e., debt instruments with equity-linked upside).
3. AVCA, 2022, Venture Capital in Africa Report; AVCA, 2024, Venture Capital in Africa Report
4. Assenova et al., 2023, Entrepreneurship and Innovation in Africa
5. See Annex for methodology and survey samples
6. See Annex for full scope and definitions

markets. Early-stage debt financing is defined as borrowed capital repaid with interest and fees, which can effectively fund capital-intensive needs, including short-term liquidity and growth investments. This definition excludes quasi-equity instruments like mezzanine or convertible debt which are often included within a traditional understanding of 'venture debt,' whereby instruments with equity-linked upside primarily provide short-term runway extension. This definition also excludes reimbursable grants.

The report examines company debt needs, available financing options, and remaining supply gaps to assess how early-stage debt can scale and function as a complementary source of growth finance, drawing on learnings from markets outside of Africa. Specifically, the following sections explore:

1. **Company needs and preferences:** How early-stage, tech-enabled companies use debt of up to USD 5 million, and what they expect from debt providers' offerings and investment processes to access and use debt effectively.

2. **Debt providers and offerings:** Which types of providers serve early-stage, tech-enabled companies at ticket sizes of up to USD 5 million, which companies they target, and how their debt offerings and investment processes are tailored to early-stage realities within the boundaries of building commercially sustainable, scalable models.

3. **Barriers to scaling debt:** The key barriers that early-stage, tech-enabled companies face in accessing debt, the constraints debt providers encounter in serving these companies, and which of these barriers require changes in the enabling environment to address.

4. **Learnings from markets outside Africa:** The enabling environment features that support the early-stage debt markets, the types of debt providers that are first to serve early-stage companies and the products they offer, and the forms of public support or incentives required to scale early-stage debt finance.

5. **Solutions to scale early-stage debt finance:** Practical actions to support existing and emerging debt providers to scale, alongside interventions to strengthen the enabling environment so that these providers can scale further and additional debt providers can enter the market over time.

The report examines company debt needs, available financing options, and remaining supply gaps to assess how early-stage debt can scale and function as a complementary source of growth finance

02

Company Debt Needs and Preferences

Early-stage, tech-enabled companies primarily seek debt of up to USD 5 million for three use cases: on-lending, working capital, and Capital Expenditure (CapEx). Across use cases, companies require repayment schedules that align with their cash flows to ensure sufficient liquidity for debt servicing. In most cases, this is achieved via appropriate tenors and grace periods, while in others it requires tailored structures, such as seasonal or bullet repayments. Local currency financing is preferred to avoid exposure to Foreign Exchange (FX) risk. This is particularly important for CapEx, given the longer tenors and higher cumulative exposure. Ability to pay higher interest rates varies by use case, with on-lenders able to sustain higher pricing as some costs can be passed on to consumer or Small and Medium-Sized Enterprise (SME) borrowers while remaining competitive against alternatives such as commercial banks or informal lenders.

Figure 3: Company Debt Needs and Preferences

	On-lending	Working Capital	Capital Expenditure (CapEx)
Relevant companies	**FinTech/other embedded lenders with balance sheet lending operations** – 35% of survey respondents	**Tech-enabled companies which need finance to fill short-term cashflow gaps** – 38% of survey respondents	**Tech-enabled companies which need finance to acquire equipment** – 15% of survey respondents
Collateral offered	**Loan books**	**Receivables and/or inventory**	**Equipment**
Repayment structure	Repayment from **maturing loan portfolio:** - Tenor: **1-2 years**, for short-term on-lending (longer may facilitate longer-term on-lending, e.g., asset financing) - Grace: **3 months**, to facilitate short-term on-lending	Repayment from **customer payments** (e.g., product delivery, invoice payment): - Tenor: **<1 year**, to match companies' cashflow cycles - Grace: **6+ months**, sometimes **seasonal** repayments to match cashflows	Repayment from **productive use of financed equipment:** - Tenor: **4-5+ years**, to match the productive cycle of the equipment - Grace: **12+ months**, to facilitate purchase, import, and productive use
Currency	**Local currency preferred**, though short timelines mitigate FX risk	**Local currency preferred**, though short timelines and, where available, hard currency receivables mitigate FX risk	**Local currency preferred**, FX risk especially significant given long timelines
Pricing	**Higher pricing (e.g., 10-20%)** can typically be absorbed by on-lending margins	**Lower pricing (e.g., <10%)** given more limited margins	**Lower pricing (e.g., <10%)** given more limited margins

Notes: Relevant companies notes % of survey respondents seeking debt of this type. Working capital includes generic working capital, inventory finance, and trade finance
Source: Dalberg demand survey and interviews

To find and use debt effectively, companies emphasize the need for transparent debt offerings with eligibility criteria, due diligence processes, and disbursements aligned to early-stage business realities. Clear information on provider offerings and requirements enables companies to efficiently identify relevant providers. Early-stage companies also need providers willing to accept non-traditional collateral (e.g., loan books, receivables), lend prior to profitability, and assess creditworthiness based on a limited track record. Fast due diligence and rejection, where applicable, are critical to ensure that debt financing applications align with the limited management capacity and data quantity and quality available in early-stage companies, as well as their evolving business needs. Finally, companies value flexible drawdowns to avoid carrying costly debt during periods when it is not needed.

Beyond product–use case alignment, company debt preferences are not necessarily feasible for providers to meet sustainably and at scale in the current African context. Companies often seek early access to debt with minimal collateral, long tenors, and low interest rates. Lending to companies still validating their business models and lacking collateral exposes debt providers to high risk with limited upside. In markets outside of Africa, this imbalance is addressed through early-stage equity financing or debt products with equity-linked upside, including structures such as term loans with warrants, but the latter are less common in Africa due to more limited exit avenues. Similarly, high interest rates are often required to offset the elevated costs of sourcing, assessing, monitoring, and managing investments in early-stage companies.

Company demand for debt financing is ultimately a mix of needs and preferences which must be interpreted by debt providers. This is illustrated by the table below. Many companies are willing to offer a range of available assets as collateral and reasonably ask that repayments align with their cash flow. However, many also request tenors that extend beyond the duration of the underlying financing need, reflecting a desire to avoid repeating the time- and resource-intensive processes associated with obtaining debt and the uncertainty and cost of refinancing. Across the full survey sample, 73% of companies sought tenors of more than two years, and 64% sought tenors of more than three years, while only 26% indicated that debt was intended for long-term uses such as capital expenditure or geographic expansion.[7]

Figure 4: Illustrative company demand for debt by market

	Kenya[1]	Nigeria[2]	Uganda[3]	Cote D'Ivoire[4]
Collateral: (% offering)	Receivables: **60%** Loan books: **35%** Equipment: **20%**	Receivables: **73%** Loan books: **33%** Equipment: **27%**	Receivables: **50%** Loan books: **50%** Equipment: **19%**	Receivables: **58%** Loan books: **33%** Equipment: **25%**
Repayment structure (Top 3 rated structures) (% seeking tenors)	Prefer on average: (1) **amortizing with grace period**, (2) **bullet**, (3) **profit-sharing / seasonal** With tenors: <1 year: **0%** 1-3 years: **30%** 3-5 years: **45%**	Prefer on average: (1) **amortizing with grace period**, (2) **seasonal**, (3) **revenue-linked** With tenors: <1 year: **7%** 1-3 years: **33%** 3-5 years: **33%**	Prefer on average: (1) **amortizing with grace period**, (2) **seasonal**, (3) **bullet** With tenors: <1 year: **0%** 1-3 years: **25%** 3-5 years: **44%**	Prefer on average: (1) **amortizing with grace period**, (2) **bullet**, (3) **revenue-linked** With tenors: <1 year: **0%** 1-3 years: **33%** 3-5 years: **33%**
FX: (% willing to take unhedged[5])	**20%**	**20%**	**25%**	**17%**
Pricing accepted	**15-25%** APR	**15-25%** APR	**5-15%** APR	**25-35%** APR

Acronyms: 1. APR = Annual Percentage Rate
Notes: 1. Sample size n=20, distributed between FinTech (24%), CleanTech (5%), AgriTech (29%), and Other (42%) sectors; 2. Sample size n=15, distributed between FinTech (25%), CleanTech (19%), AgriTech (0%), and Other (56%) sectors; 3. Sample size n=18, distributed between FinTech (33%), CleanTech (22%), AgriTech (17%), and Other (28%); 4. Sample size n=12, distributed across FinTech (33%), CleanTech (17%), AgriTech (0%), and Other (50%); 5. % of companies willing to take debt not in local currency without a structural or natural hedge
Source: Dalberg demand survey and interviews

7. Companies seeking debt in the next 12 months, n = 55, excluding 2% of respondents who indicated "I don't know"; see Annex for survey samples

03

Debt Providers and Offerings

Specialized debt providers have emerged to serve early-stage, tech-enabled companies, yet financing in the USD 1–5 million range remains limited. Traditional lenders generally have little exposure at this stage due to higher risk and operating costs, and lending frameworks designed for more established businesses. Philanthropic and grant funders, including enterprise support organizations and foundations, typically provide grants or highly concessional debt of up to USD 500,000–1 million. Above USD 1 million, companies must rely on a small number of specialist or opportunistic providers, primarily across four archetypes: high- and concessional-return debt funds, receivables refinancing facilities, and a limited number of banks, each targeting companies based on distinct risk–return profiles.[8] A broader set of lenders participate above USD 5 million as proportional transaction costs fall, while Development Finance Institutions (DFIs) and most banks generally operate at ticket sizes of USD 10–15 million and above.

Figure 5: Debt provider archetypes

1 High-return debt funds

- Funds which prioritize **strong financial returns** (in hard currency)
- Funds may have impact criteria and identify as 'impact funds' but **will not sacrifice returns**
- Funds typically have **private investors as LPs seeking financial returns competitive with alternatives in high-income markets**, increasing target return

Examples:

Mobilis Capital Partners

Cauris Finance

2 Concessional-return debt funds

- Funds which accept **lower financial returns for higher impact**
- Funds still **seek financial returns**, but will invest with lower returns to achieve greater impact
- Funds typically have an equity layer of **grant or philanthropic capital** that only targets low or no returns, reducing target return

Examples:

Global Innovation Fund (GIF)

Acumen Hardest-to-Reach

There is a spectrum of debt funds - some do not fit within the illustrative definitions e.g., those who have commercial investors but accept lower financial returns for high impact

3 Receivables refinancing facilities

- Investment companies are increasingly establishing off-shore **Special Purpose Vehicles (SPVs)** to **purchase receivables from multiple microlenders** whereas previous facilities were typically in-country and single originator
- The **SPVs purchase receivables** at a **discount** with a **transaction fee** and **ongoing service fee**
- **Originators continue servicing loans**, passing on receivables, but have **expanded lending capacity**

Examples:

Bridgin

African Frontier Capital

4 Banks

- A limited number of banks **finance companies using deposits** or by **borrowing wholesale funding to on-lend**
- These are typically tier 2 banks with **sector- or SME-specific strategies**

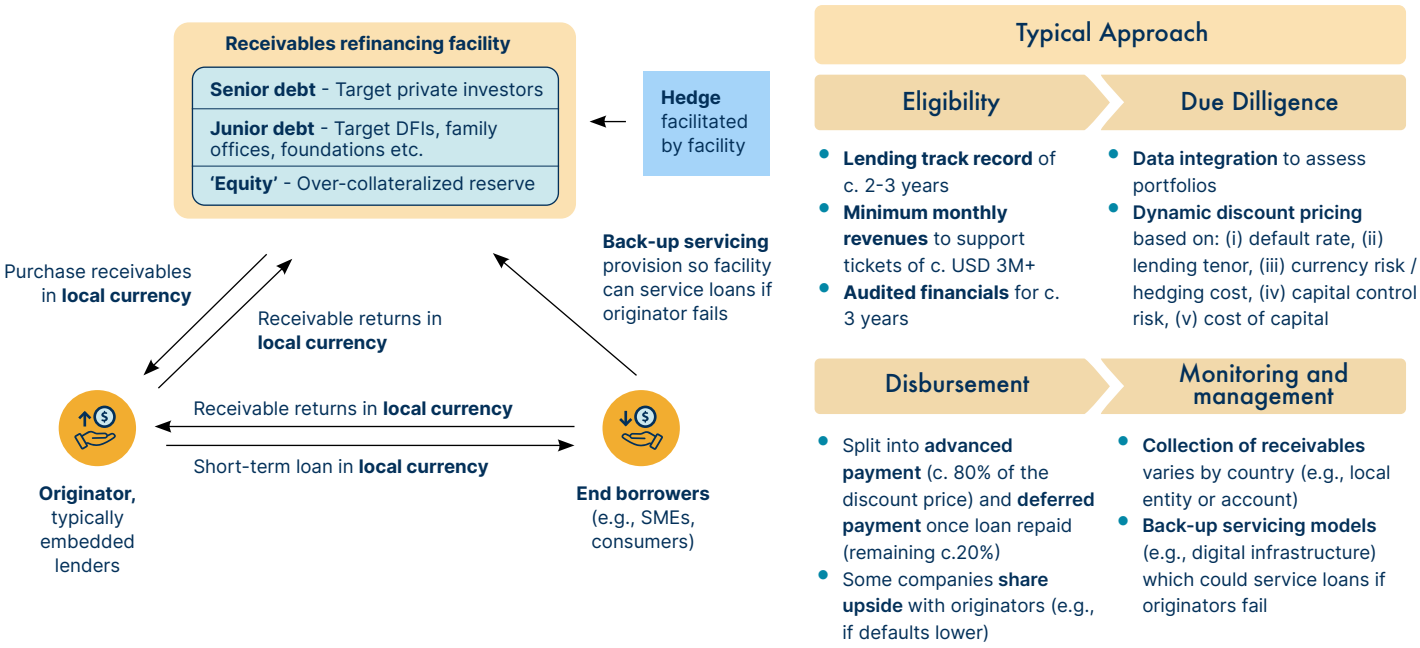
Examples:

Absa Bank

Sterling Bank

8. See Annex for a more detailed debt provider landscape

Figure 6: Illustrative receivables refinancing model



High-return debt funds and receivables refinancing facilities tend to focus on FinTechs and embedded lenders, while concessional-return debt funds and banks can target a broader range of sectors depending on mandate. Providers targeting strong risk-return profiles tend to focus on FinTech and embedded lenders, as these companies can pass on higher pricing to consumer or SME end-borrowers while remaining competitive, and their cash flow cycles are short, predictable, and non-seasonal. Concessional-return debt funds are more sector-agnostic, accepting lower returns and higher cash-flow risk to serve a broader range of impactful companies, including non-lending CleanTechs and AgriTechs. These companies typically operate with thinner margins, often serving low-income populations.

Cash-flow risk varies by financing need: CleanTechs and AgriTechs can have short but seasonal, unpredictable, or hard-to-verify cash flows, resulting in a moderate cash flow risk for working capital. However, cash flow risk for CapEx is high due to long or uncertain asset lives and greater exposure to FX risk over longer tenors. Within this, AgriTech is widely viewed as particularly challenging, given low return potential, seasonal receivables, and assets with long productive lives, often exceeding ten years. The few banks that actively serve early-stage tech-enabled companies typically do so through specific strategies or mandates and therefore target specific segments, such as FinTechs or climate-aligned companies.

Debt providers must balance innovation in products and investment processes to meet company needs with the need to build commercially sustainable, scalable models.

Debt provider offerings vary significantly by provider type and their target companies, with concessional-return debt funds generally offering the greatest flexibility. These funds can adjust collateral requirements, tailor repayment schedules, and offer concessional pricing across a range of sectors in line with their mandates. By contrast, high-return debt funds and receivables refinancing facilities primarily finance on-lending models through short-term, higher-priced debt. Banks generally continue to apply more restrictive collateral and repayment structures. Across provider types, lending is predominantly denominated in hard currency, with banks the main exception given their access to local currency funding.

Figure 7: Debt provider typical product offerings

	High-return debt funds	Receivables refinancing facilities	Concessional-return debt funds	Banks
Target companies	**FinTech/embedded lenders**	**FinTech/embedded lenders,** potential to expand	**Tech-enabled companies,** some specifically non-lending	**Varies** based on sector-specific strategies
Ticket	Few **USD 500k+,** more **USD 2M+**	Expected **USD 3M+**	**USD 500k – 5M**	**Varies**
Typical Collateral	**Loan books**	**Receivables**	**Range of collateral** (e.g., receivables, inventory, equipment etc.)	Many still demand **low-risk collateral** (e.g., land, cash pledges) and heavily discount other collateral (e.g., equipment)
Repayment structure	Repayments from maturing loan portfolios, thus typically: - **Term loans** - Tenor: **1-2 years** - Grace: **c. 3 months**	Repayments from receivables, (short-term loans) thus typically: - **Purchase of discounted receivables** with partial deferred payment (e.g., 80% upfront, 20% at completion) - Tenor: **0.5-3 years**	Repayments from a range of cashflows (e.g., customer payments, equipment use) thus: - **Term loans** - Tenor: **Flexible** up to 5 years - Grace: **6-12+ months**	Repayments from a range of cashflows, thus: - **Term loans** - Tenor: **Variable** - Grace: **Variable**, but often 0
Currency	**Hard** currency	**Hard** currency	**Hard** currency	**Local** currency
Pricing	**Commercial** – c. 10-25% hard currency	**Commercial** – variable discount up to 50%+[1,2]	**Concessional** – c. 8-10% hard currency	**Commercial** – ranges vary

Notes: 1. Discount rate on local currency receivables based on expected losses (expected default, expected devaluation etc.) plus cost of capital; 2. In some cases, facilities will share upside with the originators if returns from receivables are higher expected in hard currency (e.g., defaults lower than expected, FX depreciation lower than expected)
Source: Dalberg demand survey and interviews

Investment processes and practices vary, with high-return debt funds achieving greater speed and flexibility through Application Program Interface (API)-enabled analysis of live data. The primary difference lies in eligibility criteria and due diligence approaches, with API integration emerging as a key factor. API integration requires substantial company time and cost to standardize data and establish systems. However, high-return debt funds, typically targeting lending companies, use APIs to assess companies with only one to two years of operating data and, in some cases, complete due diligence in under three months. APIs also enable close post-investment monitoring of loan portfolios, allowing more advanced funds with experienced teams to proactively engage company management to identify risks and, where needed, agree corrective actions. Receivables refinancers often use APIs but still require three years of financial statements to price receivables discounts. Concessional-return funds and banks also require three years of financial statements and can take six to nine months for due diligence. Many providers include contractual provisions that allow repeat financing via simple amendments to avoid full repeat due diligence.

All debt providers must balance innovation in products and investment processes to meet company needs with the need to build commercially sustainable, scalable models. While specialist providers can tailor products and processes to early-stage realities in ways that traditional lenders typically cannot, their ability to do so is constrained by their own access to capital, the requirements of their investors and financiers, and the need to demonstrate track record and scale sustainably over time. This, in practice, limits how far products, pricing, and risk appetite can diverge from established models as they seek to build a track record and scale.

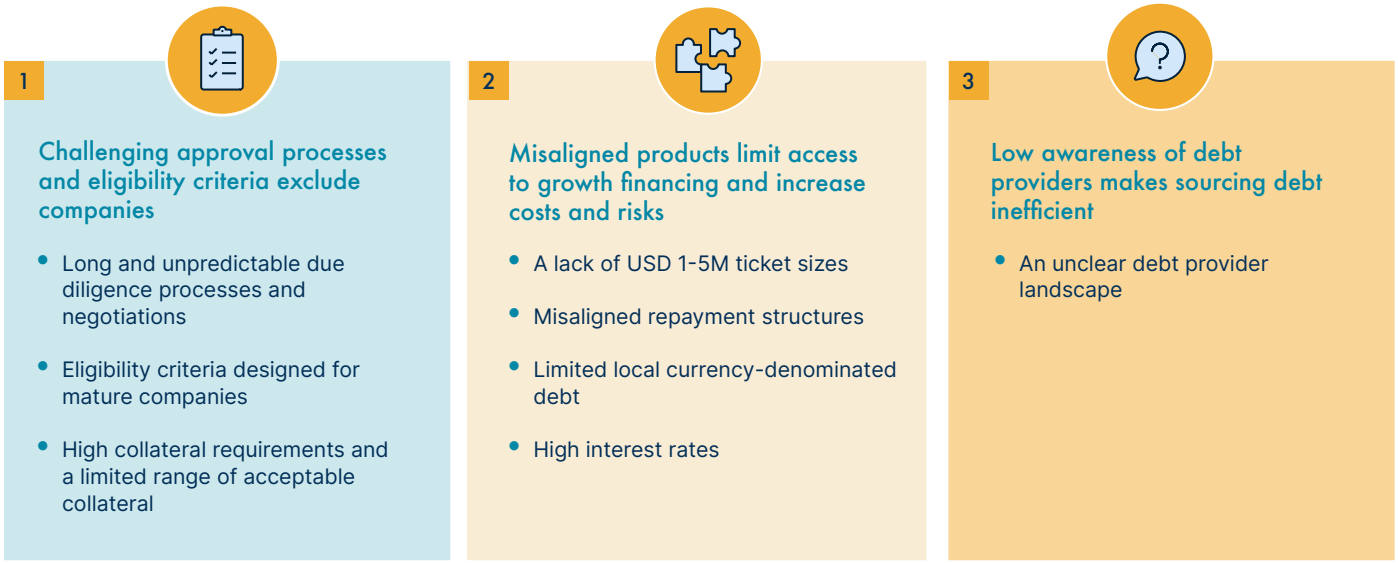
04

Barriers to Scaling Debt

Although specialist players and offerings are emerging, their ability to scale is limited by structural constraints in the operating environment. While debt providers can move closer to company needs through product innovation and process adaptation, alignment is ultimately constrained by what is commercially and operationally feasible within the current enabling environment. Addressing persistent gaps in debt supply requires action beyond providers and companies, with other stakeholders playing a critical role in reducing structural constraints and enabling scale.

On the demand side, early-stage companies face a combination of process, product, and market-access frictions that constrain their ability to secure and use debt effectively. Long and unpredictable due diligence timelines limit companies' ability to secure debt aligned with management capacity, cash runway and financing needs, while increasing costs. Eligibility criteria designed for more mature companies, including profitability, operating history, and stringent collateral requirements, systematically exclude early-stage firms. These constraints could be addressed by investing in provider and company data readiness and capabilities to facilitate smooth API integrations, such as standardizing company data systems, analytics, and reporting to enable interoperability with provider APIs. This would facilitate robust assessment of companies with a limited track record, and more innovative collateral approaches. Further, companies report that misaligned products limit their effective use of debt, with persistent gaps in USD 1–5 million ticket sizes and repayment structures aligned with cash flows, both of which have been addressed sustainably in African markets by some lenders. However, more challenging constraints include limited local currency lending, which increases FX risk, and high interest rates that are difficult for non-on-lending companies to absorb. As providers must lend in line with the currency and cost of their capital, addressing FX risk and pricing constraints will require catalytic capital players to provide local currency-denominated and concessional finance to debt providers, which can be passed on to the companies. Finally, limited visibility into the debt provider landscape means companies often invest significant time and resources to identify suitable lenders and understand available terms, especially for international investors. Many companies only overcome this by hiring staff with existing financier networks. Funder databases specific to early-stage companies (e.g., Africa the Big Deal), ecosystem support, or greater provider transparency would be helpful.

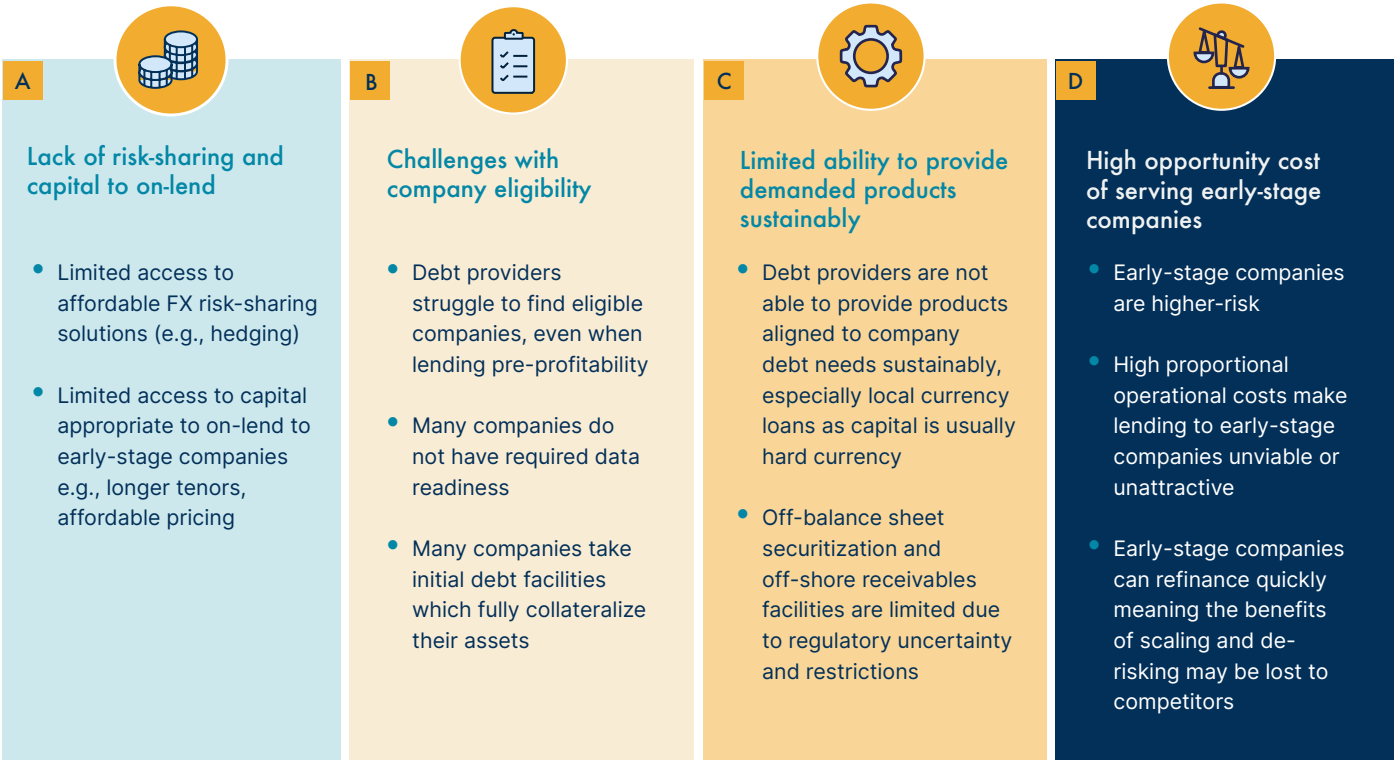
Figure 8: Barriers to early-stage companies accessing debt



On the supply side, constraints to scaling early-stage debt supply by specialized lenders extend well beyond individual lender capabilities, reflecting structural features of capital markets and the broader ecosystem. These include limited access to suitable capital and risk-sharing mechanisms, challenges in sourcing eligible companies, and restricted ability to offer innovative products, with many of these constraints requiring broader ecosystem-level changes to address. Many debt providers in Africa raise capital in hard currency, creating a mismatch with investee revenues that are generated in local currency. FX risk mitigation is inherently costly in markets with less-traded currencies, making this exposure difficult to manage. As a result, FX risk is unlikely to be addressed without greater provision of wholesale capital denominated in local currency for debt providers. Similarly, much of the capital available to debt providers carries high return expectations and short lock-in periods, often constraining lending to short-term on-lending models. Again, resolving this requires catalytic capital providers willing to provide funds to on-lend with more flexible terms. Providers also report challenges in finding companies that meet even adapted minimum eligibility criteria, such as having positive unit economics, uncollateralized assets, and data readiness for due diligence. Upstream ecosystem initiatives are needed to strengthen company investment readiness and match companies to providers. Additionally, regulatory uncertainty constrains off-balance-sheet structures such as securitization and receivables refinancing. Clear legal frameworks are needed to incentivize providers to develop these structures. Finally, even for specialized lenders, high proportional operating costs, combined with limited upside in debt transactions without warrants, limit the commercial viability of some early-stage lending, particularly when companies refinance quickly. For example, one interviewee reported that legal costs for registering collateral can reach 2.5% of the loan value for transactions under USD 5 million.

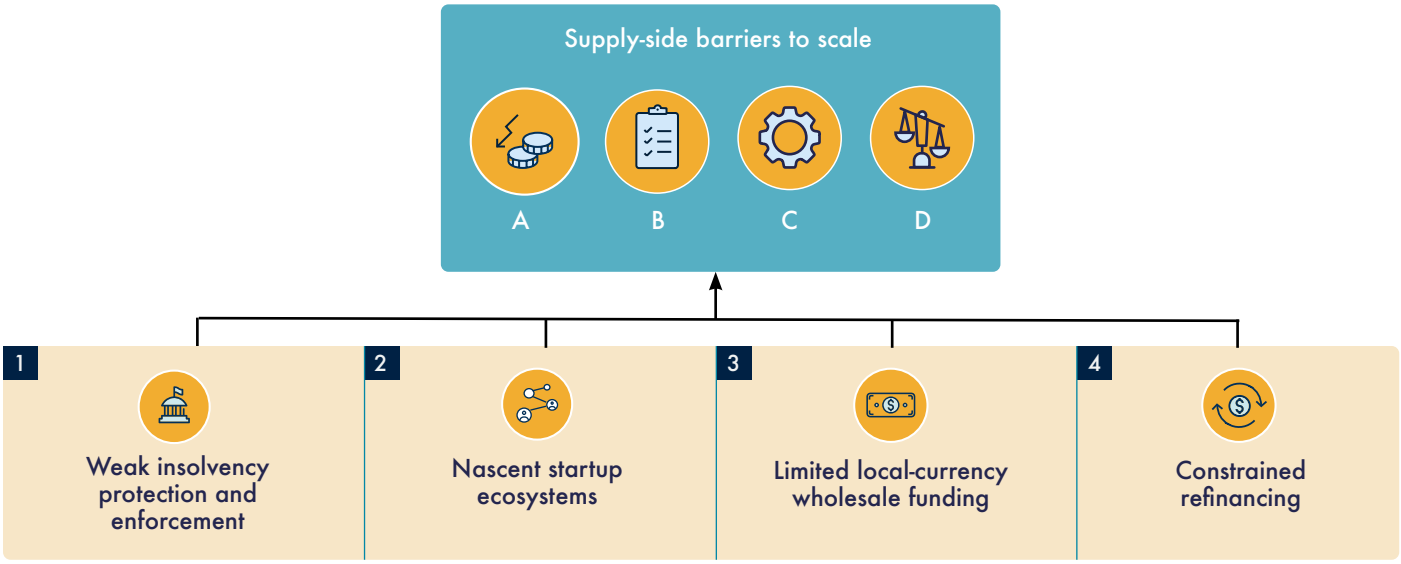
For traditional lenders, such as tier 1 banks and large-ticket debt funds, the high risk and costs associated with early-stage companies generally keep them out of this market, and they are unlikely to enter even with incentives. Their lending approaches and processes are not designed for early-stage realities, limiting their ability to assess and manage risk effectively and cost-efficiently.

Figure 9: Barriers to supply debt to early-stage companies



Addressing constraints to scaling early-stage debt will require stronger insolvency enforcement, more developed startup ecosystems, and increased (local currency) financing and refinancing sources for debt providers. Many of the above barriers stem from these broader ecosystem gaps rather than company- or lender-specific issues. Weak insolvency protection and enforcement limit the use of formal recovery channels and undermine the feasibility of early-stage debt investment models. Challenges include limited lender protection within legal frameworks and slow, uncertain and costly recovery processes; in some markets, court-appointed administrators can cost more than the collateral securing an early-stage loan. Even where providers have sustainable early-stage lending models, nascent startup ecosystems constrain scale, with relatively few investment-ready companies, continued reliance on concessional or grant funding, and limited pipeline visibility, making it difficult to identify enough companies able to absorb debt finance. Finally, and critically, debt providers are constrained by the availability and suitability of capital that they can raise across financial markets. Much wholesale funding, which providers secure to on-lend to companies, is denominated in foreign currency which means providers are unable to lend the local currency debt preferred by early-stage companies. Partech's 2024 Africa Tech Venture Capital Report notes that most available debt in Africa continues to be denominated in foreign currency.[9] Underdeveloped loan portfolio refinancing markets further compound the issues of capital availability. Obtuse or actively restrictive regulation and difficulties executing cross-border transfers restrict providers' ability to develop feasible mechanisms to sell or refinance debt portfolios of early-stage, tech-enabled companies, and so to free up balance sheets to recycle capital and expand lending capacity.

Figure 10: Structural constraints to scaling debt



9. Partech Partners, 2024, Africa Tech Venture Capital Report 2024: Topline Deals and Volumes.

05

Learnings from Markets Outside of Africa

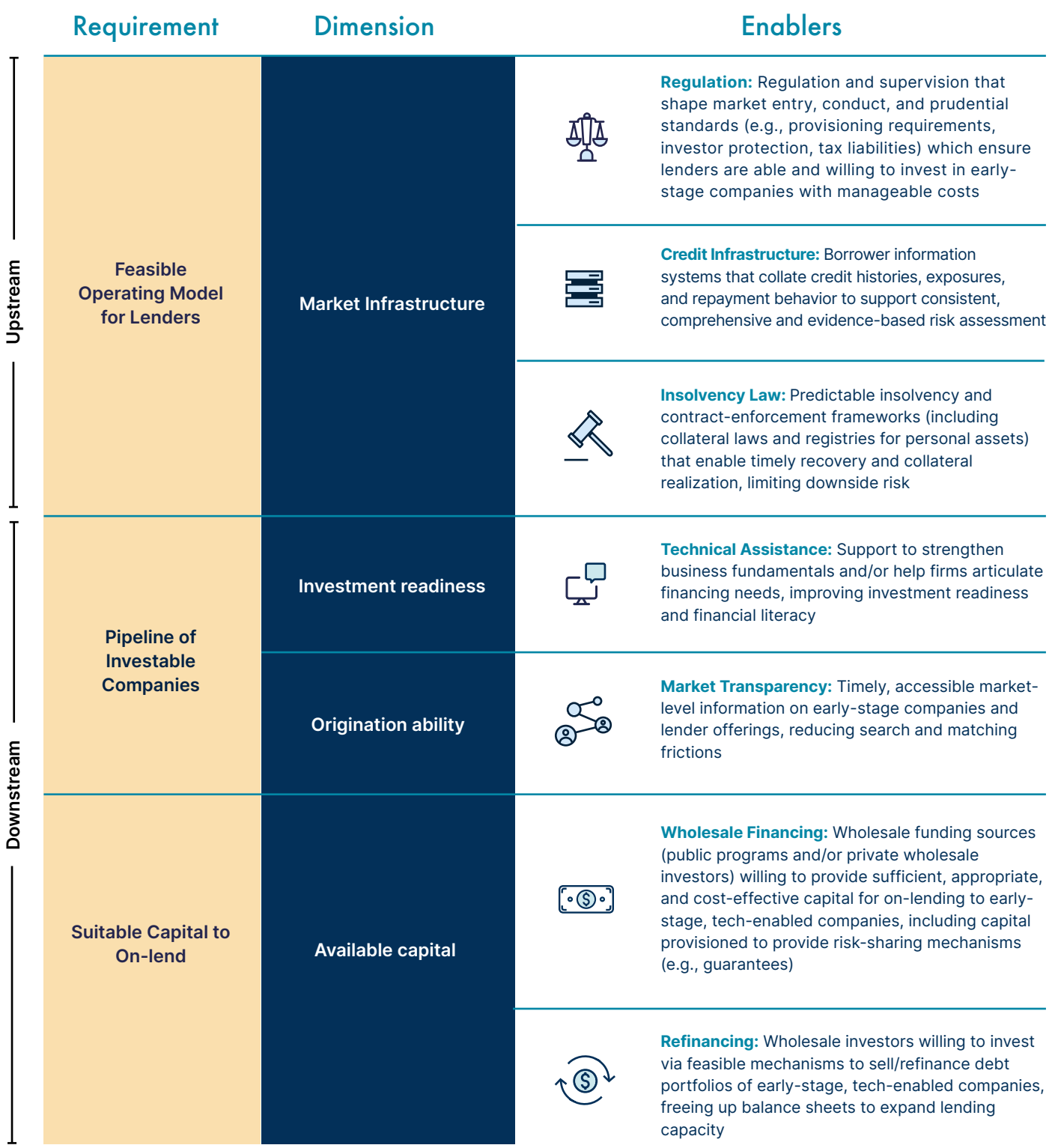
Insights from more mature early-stage debt ecosystems can inform how enabling conditions, provider roles, and product design evolve to support market scale. India and Mexico represent comparable emerging markets, while the UK illustrates a mature debt market supported by a mix of public and private actors.

Mature debt markets are underpinned by enabling conditions, often driven by public actors, that materially improve debt provider operating conditions. Clearer creditor protection frameworks and enforcement processes improve recovery expectations even when timelines remain lengthy. In India, the introduction of the Insolvency and Bankruptcy Code in 2016 increased out-of-court settlements by clarifying escalation pathways, while also becoming the dominant formal recovery channel.[10,11] Later-stage, often public-led, startup ecosystems further facilitate early-stage debt. In Mexico, Nacional Financiera (NAFIN), the national development bank, provides free online trainings via Te Capacita helping companies assess whether debt is appropriate for their needs and understand lender credit assessments, improving debt readiness.[12] Mature markets also benefit from deeper wholesale finance, often denominated in local currency and supported by public bodies. In India and the UK, public actors play a central role in supporting market development and crowding in private capital. The UK established the British Business Bank post-2008 to incentivize more debt provision and to seed new debt funds.[13] In India, clear regulatory guidance has supported refinancing markets, with securitization guidelines updated in May 2025 and oversight conducted by the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).[14]

Across markets, specialized data-enabled providers supported by public actors typically lead ecosystems and develop debt products well-suited to early-stage realities, such as low-collateral loans and receivables finance. Specialized debt funds, FinTechs, and other non-bank lenders use data capabilities and alternative data to assess and underwrite early-stage companies, often with seed capital, risk-sharing, or active participation from public actors. In Mexico, NAFIN incentivizes non-bank financial institutions to lend to SMEs via credit lines and guarantees.[15] Some FinTechs have gone on to acquire banks (e.g., Covalto), and use low-cost depositor funds to offer products, including lower-collateral loans and factoring. Similarly, government-regulated platforms have facilitated the entry of financiers into innovative approaches such as receivables financing, including the RBI-regulated electronic invoice and supply-chain financing platform in India and NAFIN's reverse factoring platform in Mexico.[16,17] Notably, banks typically only lend with significant public risk-mitigation. In India, the Credit Guarantee Scheme for Startups (CGSS) offers financial institutions 75-85% guarantee on loans up to USD 2.2 million equivalent for certified startups to support collateral-free lending.[18] Very high-risk products, such as Research and Development (R&D) loans, are often provided directly by public actors. Innovate UK, a public body, provides low-interest R&D loans of up to GBP 5 million for up to 7 years.[19]

10. Insolvency and Bankruptcy Board of India, 2025, Insolvency and Bankruptcy News: Jan–Mar 2025
11. Ministry of Corporate Affairs [of India], 2025, Government has Strengthened IBC with Six Amendments and 122 Regulatory reforms since its inception
12. Nacional Financiera (NAFIN), "Te Capacita," accessed January 2026
13. British Business Bank, "Debt Funds," accessed January 2026
14. The Legal 500, "Harmonizing Debt Markets: SEBI's Reforms and the Future of Securitization in India," accessed January 2026
15. El Economista, 2024, Banca de desarrollo, fundamental para el desempeño de las Sofomes
16. Reserve Bank of India, 2020, "Trade Receivables Discounting System (TReDS)", accessed January 2026
17. OECD, 2015, New Approaches to SME and Entrepreneurship Financing
18. Ministry of Commerce & Industry [in India], 2025, Government notifies the expansion of the Credit Guarantee Scheme for Startups (CGSS) to increase capital mobilization for startups, accessed January 2026
19. Innovate UK, 2025, Innovation loans: Changes to loans from July 2025

Figure 11: Key components of an enabling environment for early-stage debt finance



In India, government guarantees support unsecured lending and regulated platforms facilitate receivables refinancing

Active ecosystem enablers:

Feasible Operating Model

Developing – Enabling rules in place, with gaps on certain instruments while traditional bank lending norms dominate

Developing – Established infrastructure, effectiveness limited by coverage of very new firms and data fragmentation

Developing – Modern IBC framework; enforcement may be slow or outcomes uncertain

Pipeline of Investable Companies

Established – Extensive startup support programs provided by gov't and VC ecosystem

Established – Basic registries and digital portals improve public visibility of the ecosystem

Suitable Capital to On-lend

Established – Public (gov't, MDB, DFI) guarantees and capital for on-lending

Developing – Refinancing markets emerging, with some specific funds

Context:

India has strong **public incentives,** growing **market infrastructure**, and maturing **insolvency laws**, but **startup credit history gaps** and **entrenched lending behavior** mean lenders, especially banks, can have **high collateral requirements.**

Emergence & Challenges:

Initial growth **market-driven, with modest incentives**. Despite early lending by **select institutional lenders** (Citibank and SVB), the market was limited in scale and number of stakeholders. SIDBI provided early guarantees for small loans (e.g., CGTMSE).

- Dedicated **VD funds and NBFCs emerged** to address market gaps with foreign **DFIs/VCs capitalizing NBFCs**
- **Banks** largely followed once the **model had been de-risked** and **incentives increased**, e.g.,:
  - The RBI **widened funding options** allowing startups to raise external commercial borrowings of <USD 3M
  - Government **tax incentives** and **access to existing credit-guarantee/refinance schemes** for startups and equity investors led to greater lending

Current Market & Innovation:

VD funds are most significant, typically focused on Series B/C. **NBFCs** target early startups with digital underwriting. **Banks** are starting to lend via collateral-backed working-capital loans (e.g., HSBC Innovation Banking in 2025) with support from guarantees. **SIDBI** continues to provide risk sharing as well as direct finance.

Unsecured term loans facilitated by a major government incentive (CGSS) – this offers banks and NBFCs 75-85% guarantee on loans <c.USD 2.2M for certified startups[2,3]. Increased activity from banks has followed (e.g., HSBC India USD 1B startup facility)

Receivables refinancing facilitated by RBI-regulated electronic invoice and supply-chain financing platforms, where registered startups sell approved trade invoices (from rated corporate or government buyers) to financiers at a discount to fund working capital

Key Lessons

Specialized institutional lenders can drive early growth

NBFCs can complement if sufficiently capitalized by aligned wholesale investors

Banks largely only participate at scale when supported by significant (public) risk sharing schemes

Data-driven underwriting (e.g., by NBFCs) is necessary to reach early/small startups where scarce information otherwise restricts lenders' risk assessments

Public market infrastructure (e.g., central bank regulated platforms) can support receivables refinancing at scale

Acronyms: IBC = Insolvency and Bankruptcy Code; VC = Venture Capital; MDB = Multilateral Development Bank; DFI = Development Finance Institution; SVB = Silicon Valley Bank; SIDBI = Small Industries Development Bank of India; CGTMSE = Credit Guarantee Fund Trust for Micro & Small Enterprises (guaranteeing bank loans up to c.USD 220k); VD = Venture Debt; NBFC = Non-Banking Financial Company; RBI = Reserve Bank of India; CGSS = Credit Guarantee Scheme for Startups

Notes: 1. Verma, M.K. ,2025, "Evaluating the Impact of Tax Incentive on Startup Growth in India under the Startup India Scheme"; 2. Certification from the Department for Promotion of Industry and Internal Trade; 3. Many eligible startups lack certification, and some banks still demand collateral

In Mexico, the public sector has supported NBFCs to innovate through favorable regulation and credit lines

Active ecosystem enablers:

Feasible Operating Model

Developing – New lending models encouraged, but prudential standards remain conservative

Developing – Effective for formal borrowers, but thin files for startups limit usefulness

Developing – Strong legal insolvency and enforcement framework, but proceedings can be lengthy

Pipeline of Investable Companies

Established – Multiple public and private programs build early-stage investment readiness[1]

Developing – Public/ private open data laws/ marketplaces are progressing, but still new

Suitable Capital to On-lend

Established – Public (gov't, MDB, DFI) guarantees and capital for on-lending

Limited – Refinancing is shallow, a small number of pioneering transactions have shown potential

Context:

Enabling **regulation, public-sector initiatives**, and **strong primary markets** supported by public and private capital have facilitated **FinTech innovation** to expand financing for early-stage companies.

Emergence & Challenges:

Initially, the **national development bank** (NAFIN) served early-stage companies directly and incentivized **specialized finance companies**. Debt funds appeared later, supported by DFIs, but only a small number target early-stage companies.

- **Public incentives** (guarantees and credit lines) were important to facilitate first-movers, but nonetheless underutilized due to bureaucracy and low awareness
- **NBFCs** developed specialized risk-assessments for early-stage companies using alternative data (e.g., electronic (CFDI) tax invoices, bank feeds, SaaS data), reducing the need for collateral

Current Market & Innovation:

There is a broad system of actors across **NAFIN, NBFCs, FinTech lenders**, and **banks**. Banks are slowly beginning to lend with continued public support.

- **Receivables refinancing** facilitated by NAFIN's reverse factoring platform which provides a regulated, supply-chain finance marketplace, allowing >c.30 banks and factors (incl. NBFCs and FinTechs) to purchase small suppliers' invoices
- **Tailored business loans and factoring**, provided by FinTechs which have acquired licensed banks (e.g., Covalto), data-driven underwriting is combined with low-cost deposit funding to offer a suite of targeted products which are accessible for small businesses[2]

Key Lessons

Public actors are important catalysts for early-stage debt markets where they incentivize and crowd-in innovative private actors as well as lending directly at concessional rates

NBFCs with specialized underwriting can serve early-stage companies where enabling regulation facilitates lending and establishes prudential standards to avoid fragility

Leveraging alternative data sources (e.g., electronic tax, e-invoicing) supports tailored debt products for small businesses

Public market infrastructure (e.g., public reverse factoring platforms) can support receivables refinancing at scale

Acronyms: MDB = Multilateral Development Bank; DFI = Development Finance Institution; NAFIN = Nacional Financiera (national development bank, wholly owned by the Mexican government); NBFC = Non-Bank Finance Company; CFDI = Comprobantes Fiscal Digital por Internet; SaaS = Software as a Service

Notes: 1. NAFIN's Te Capacita offers free online SME training on finance and credit, and the federal Crédito Joven program requires ~22 hours of mandatory online training before loan access,; 2. Covalto has a portfolio c. >USD 300m (c. MXN 6b) and cumulative SME lending >$2bn.

In the UK, proactive public support has supported early-stage lending at scale and with innovative products

Active ecosystem enablers:

Feasible Operating Model

Established – Well-established regulatory and supervisory framework

Established – Credit reporting and collateral systems maintain data with good coverage

Established – Predictable frameworks and enforcement offer lenders confidence in downside recovery

Pipeline of Investable Companies

Established – Networks of support programs, incubators, accelerators support financial literacy/investment readiness

Established – Search frictions on both sides have been reduced via specific public- and private-sector initiatives

Suitable Capital to On-lend

Established – Wholesale funding and incentives are targeted to startup debt

Established – Refinancing active, new mechanisms and platforms being explored

Context:

Proactive public support (incl. **de-risking incentives**) has encouraged private lenders to lend to and develop **tailored debt products** for startups needs. Actors include alternative lenders such as FinTechs which are enabled by **strong regulation**.

Emergence & Challenges:

Private sector lending was enabled by public initiatives. Traditionally, **banks** lent to startups. However, following the financial crisis, **targeted public incentives** were required to **re-incentivize banks**. The **British Business Bank (BBB)**[1] was created to provide incentives and establish/seed public debt funds. Enabling regulation and select public co-investment supported **alternative lenders** to emerge. **Specialist players** also emerged later.

- Government support to financial institutions included **guarantees** (e.g., EFG, guaranteeing 75% loan value)
- **Specialist players** (e.g., SVB UK) and **alternative lenders** such as P2P platforms (e.g., Funding Circle) developed underwriting models which used alternative data, real-time data integration, and forward-looking credit assessment to provide low-collateral debt to startups

Current Market & Innovation:

There is a broad market with specialized lending from **debt funds and FinTechs** as well as **banks** (often via specialized units/acquisitions). Competition among actors has improved startups' pricing and other terms.

Patient R&D loans – gov't provided low-interest, long-term (<7 years) flexible loans for R&D-intensive startups/scale-ups, initially GBP 100k-1M during pilot, revised up to 5M for the full-scale program[2,3]

Revenue-based financing provided primarily by FinTech players (e.g., Uncapped, Clearco) to startups with a focus on SaaS and e-commerce firms with volatile sales

Key Lessons

A public development bank can play an important role, providing direct lending and crowding-in private actors in an uncertain market

Public risk-sharing initiatives can support banks to lend to start-ups at scale

Specialist and alternative players leveraging innovative underwriting can serve early-stage companies and design tailored products if supported by enabling regulation

Revenue-based finance is a key product for startups with volatile sales who may otherwise default on debt

Acronyms: EFG = Enterprise Finance Guarantee; SVB = Silicon Valley Bank; P2P = Peer-to-peer; R&D = Research & Development; SaaS = Software as a Service; BBB = British Business Bank

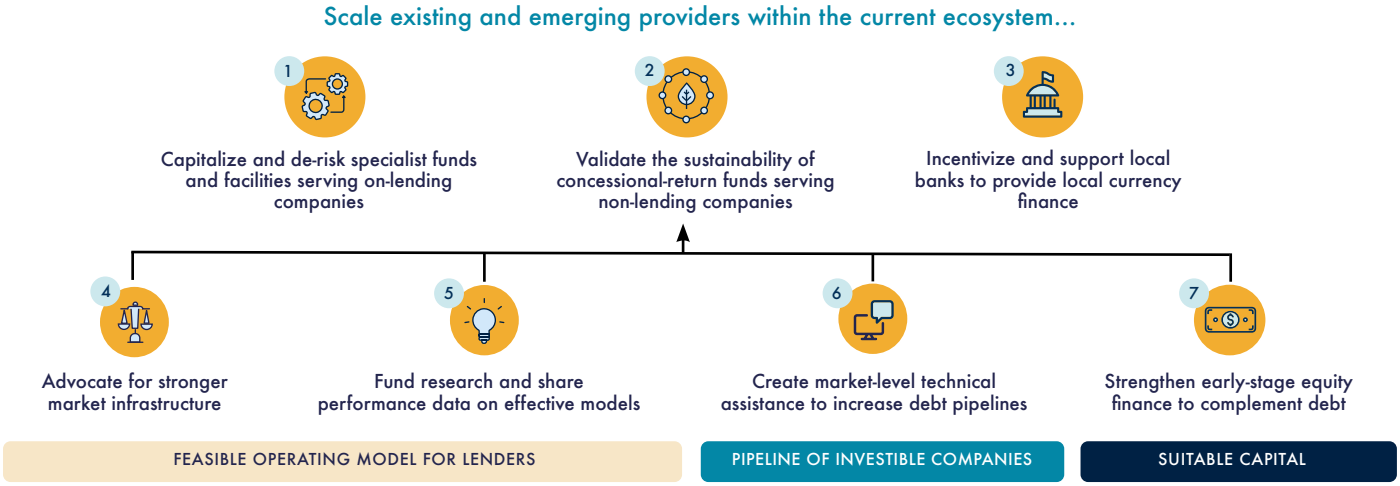
Notes: 1. A national development bank; 2. Via the Innovate UK Innovation Loans; 3. Innovate UK, 2025, Innovation loans: Changes to loans from July 2025

06

Solutions to Scale Early-Stage Debt Finance

This report identifies seven priority solutions to scale early-stage debt for tech-enabled companies across Africa. Three focus on scaling existing and emerging providers within the current ecosystem using catalytic capital, risk-sharing, and co-investment mechanisms. A further four address structural constraints in the enabling environment to expand feasible investment models in the future.

Figure 12: Solutions to scale early-stage debt



Solutions to scale existing and emerging providers within the current ecosystem:

Three entry points exist to support existing and emerging providers to scale and, where necessary, validate their early-stage debt financing offerings within the current enabling environment: scaling specialist high-return debt funds and receivables refinancing facilities to finance lending companies; validating the investment models of concession-return debt funds to finance non-lending companies; and incentivizing banks to provide local currency debt.

Solution 1: Capitalize and de-risk specialist funds and facilities providing debt of up to USD 5 million to on-lending companies. Traditionally, lenders face structural hurdles to serving early-stage companies, including slow assessments with long track record and restrictive collateral requirements, limited capital available to on-lend, and high risks associated with early-stage debt. In contrast, specialist debt funds and facilities are emerging that use data capabilities to underwrite early-stage companies more efficiently, potentially relying on less track record, accept a wider range of collateral, and offer more flexible products.

For example, Mobilis Capital Partners, a pan-African debt fund, offers revenue-based financing to companies with monthly revenues above USD 50,000 and 1+ year operating track record.[20] Equally, investment companies such as Africa Frontier Capital (AFC) and Bridgin are developing multi-country, multi-originator receivables refinancing facilities to offer fit-for-purpose financing with lower risk for investors. These facilities purchase discounted receivables from originators using data-driven processes to calculate discounts based on specific company contexts and offer back-up servicing, so receivables can continue to be collected if the originator fails, mitigating company risk. These players often focus on on-lending companies. As a result, they can generate strong financial returns that attract commercial capital. For example, Chapel Hill Denham, the largest alternative asset manager in Nigeria, invested in an earlier, single-country, single-originator AFC facility.[21] Scaling these funds and facilities requires further crowding in of commercial capital, ideally in local currency, and, for funds, engaging flexible capital to facilitate a broad range of investees, and co-lending to offer USD 2-5 million tickets without overconcentration.

20. Mobilis Capital Partners, "Let's Connect", accessed January 2026
21. Chapel Hill Denham, "d.light and Chapel Hill Denham Close N10 Billion in Securitised Financing to Fund Off-Grid Solar Expansion in Nigeria", accessed January 2026

- **Leverage layered structures to de-risk senior tranches and attract commercial capital:** Both debt funds and receivables refinancing facilities require junior capital to de-risk senior tranches to attract commercial capital, ideally in local currency. Equity or mezzanine is needed for funds, and mezzanine or junior debt for receivables facilities where an 'equity' layer is provided by overcollateralized receivables. Philanthropic foundations, catalytic capital providers and DFIs are well placed to supply such de-risking layers. For example, in 2021, FMO, through the MASSIF fund, provided a USD 5 million mezzanine loan to Lendable Fintech Credit Fund I, a tech-enabled investor financing high-growth FinTech companies with positive impact, to provide a first-loss layer. This aimed to catalyze senior debt from commercial investors leading to a final close of USD 110 million.[22] Local public players, such as national development banks or other public vehicles, would be ideal as they could provide junior capital in local currency to reduce FX risks. This is what is observed in many mature early-stage debt markets, such as the British Business Bank in the UK.[23]

- **Advocate for mandates or incentives for local commercial capital to invest:** Even with de-risking, local commercial capital return expectations could be 20-40% to compete with comparable asset classes. Given this, public mandates or incentive schemes may be needed to engage large pools of local currency capital with low risk appetites (e.g., pension funds, corporates). For example, the South Africa SME Fund incentivizes corporates to pool capital to invest in intermediaries financing SMEs, using public and development assistance funding to provide a first-loss layer, and charge no fees or carry.[24]

- **Provide long-term capital to facilitate lending to a larger set of companies:** Short lock-in periods often restrict funds to short-term lending. Securing long-term (5+ years) capital would allow funds to provide longer tenors and serve a broader range of investees and end-beneficiaries, such as FinTechs financing small CapEx.

- **Develop delegated co-lending mandates to extend ticket sizes without reducing efficiency:** Specialist small-ticket funds often initially lend companies less than USD 1 million to minimize risk and rarely lend above USD 2-3 million to avoid overconcentration, leaving a financing gap USD 2-5 million. Delegated co-lending mandates would allow for automatic pari passu LP participation in eligible repeat deals, enabling USD 2-5 million tickets efficiently. DFIs often use such co-investment structures for equity or larger debt funds. These should be replicated for funds operating at USD 1-5 million to ensure capital continuity.

Solution 2: Validate the sustainability of concessional-return debt funds serving non-lending companies with fit-for-purpose debt products of up to USD 5 million. As lenders prioritize on-lending companies with higher margins and faster cash flow cycles, companies that need longer-term debt or operate with thinner margins due to their business models or operating environments remain underserved. Emerging concessional-return debt funds seek to fill this gap by offering flexible products, with longer tenors, tailored collateral requirements, and lower pricing. For example, Acumen's Hardest to Reach Fund targets underserved markets such as Uganda and the DRC. To scale, these funds need blended sources of affordable, flexible capital and co-lending mechanisms to offer USD 2–5 million tickets without overconcentration .

- **Provide risk-tolerant capital to help validate innovative investment models, especially from first-time managers:** Flexible, high-risk capital sources, such as DFI windows providing returnable grants, can anchor innovative concessional-return funds, especially those managed by first-time managers, to help create the demonstration effect needed to show scalability and attract more risk-averse capital sources. For example, already in 2018, ahead of the Lendable Fintech Credit Fund I transactions, FMO, through the MASSIF fund, invested a USD 450,000 repayable grant in Lendable Inc., thereby providing a first-loss layer in a standalone SPV with the aim to catalyze USD 4.5 million from commercial investors.[25] The ambition was for Lendable to gain track record and establish itself. Also, in 2021, FMO, through the MASSIF Fund, provided a EUR 7.5 million mezzanine tranche to Medical Credit Fund Coöperatief U.A., which aimed to finance and provide technical assistance to approximately 2,500 health SMEs in Sub-Saharan Africa.[26] The explicit objective of this mezzanine tranche was to catalyze a senior DFI tranche to scale the newly established debt fund with a total size of EUR 32.5 million.

- **Leverage blended structures and incorporate affordable capital sources:** More established concessional-return funds still require equity layers with capital requiring low or no returns as well as concessional, long-term senior debt (e.g., 5-6% in hard currency) to lower fund overall target returns. The aim is to offer end borrower rates of 8-10% USD/EUR once operating costs, particularly collateral registration fees, are included. Like Solution 1, public actors providing concessional senior debt in local currency would reduce FX risk.

- **Develop delegated co-lending mandates to extend ticket sizes without reducing efficiency.** As with Solution 1, concessional funds typically limit tickets to around USD 2 million to avoid fund overconcentration. Standing pari passu LP co-lending mandates would enable larger follow-on tickets while maintaining efficiency and capital continuity. Compared to Solution 1, these mandates would likely apply stronger impact criteria alongside financial criteria, ensuring that risk capital is directed toward the most underserved and high-impact companies.

22. FMO, "Project Detail: Lendable," accessed January 2026
23. British Business Bank, "Debt Funds," accessed January 2026
24. SA SME Fund, 2023, Integrated Report
25. FMO, "Project Detail: Lendable," accessed January 2026
26. FMO, "Project Detail: MEDICAL CREDIT FUND II COÖPERATIEF," accessed January 2026

Solution 3: Incentivize and support local banks to provide local currency loans of up to USD 5 million. Banks remain the largest source of local currency funding but are typically reluctant to lend to early-stage companies, given more attractive risk–return profiles in more mature segments. Banks require incentives, such as guarantee schemes and/or origination grants, to lend to target companies and capacity building to support them in developing fit-for-purpose underwriting and risk management processes. Support schemes could also include dedicated on-lending facilities to further incentivize them to explore a new customer segment without reallocating capital from other activities. For example, the Development Bank of Nigeria combines long-tenor wholesale funding of up to 10 years with a 1.5-year grace period, partial credit guarantees of up to 60% of the loan value, and capacity building to enable financial institutions to lend more and on improved terms to Micro-, Small- and Medium-Sized Enterprises (MSMEs).[27] Successful schemes focus on banks with demonstrated appetite, typically tier 2 institutions with sector- or SME-focused strategies and strong internal buy-in.

- **Incentivize banks to lend via guarantees and origination grants:** Guarantee facilities in both mature markets and African emerging markets show that banks typically require high levels of risk coverage to lend to underserved segments. For example, the European Commission and FMO via MASSIF developed the Nasira programme to encourage banks to lend to borrowers they would otherwise consider too risky, such as agriculture MSMEs, young, female, and migrant entrepreneurs in African and the EU Neighborhood. Nasira provides a second-loss guarantee covering up to 95% of underlying loan portfolios. Still, some banks report that traditional guarantee schemes can be operationally inefficient, particularly where loss claims are slow or complex. To address this, Aceli Africa, an ecosystem builder focusing on scaling up finance for agri-SMEs through financial intermediaries, has piloted pooled first-loss mechanisms in which each qualifying loan contributes a small share (c. 5% of loan value) to a bank-managed loss reserve, with cumulative coverage increasing as lending scales.[28] In addition, Aceli Africa has piloted origination incentives (small grants paid per loan) to compensate banks for higher transaction costs and lower margins when serving harder-to-reach borrowers, with these grants also intended to support capacity-building efforts.[25]
- **Provide capacity building:** Targeted assistance is needed to design fit-for-purpose products, build tailored risk assessments, train credit teams, and monitor pass-through of terms. These interventions have also been tested by Aceli Africa.[29]

Solutions to address structural constraints to expand feasible future investment models:

Strengthening ecosystem enablers would allow more debt providers to enter the early-stage debt markets and enable existing or emerging providers to scale even further. A strong enabling environment for early-stage debt requires clear, supportive regulation, established credit infrastructure, and robust, enforceable insolvency law to make operating models feasible. Market-wide technical assistance and transparency are also required to help debt providers identify a pipeline of investable companies. Finally, capital that is available and suitable to on-lend to early-stage companies is required. This can be provided both via wholesale funding invested into funds and facilities, or via funding available to purchase/refinance portfolios of loans to early-stage, tech-enabled companies, and so free up balance sheets to recycle capital and expand lending capacity.

Solution 4: Advocate for stronger market infrastructure, including legal and regulatory environments, to broaden the scope of viable lending models. Advocacy should focus on targeted reforms that improve the feasibility of both standard and innovative models. Examples include more predictable and cost-effective collateral enforcement, such as by waiving court-appointed administrators for low-value collateral, and clear, supportive regulation for off-balance-sheet transactions, such as the public guidance and oversight for securitization in India.[30]

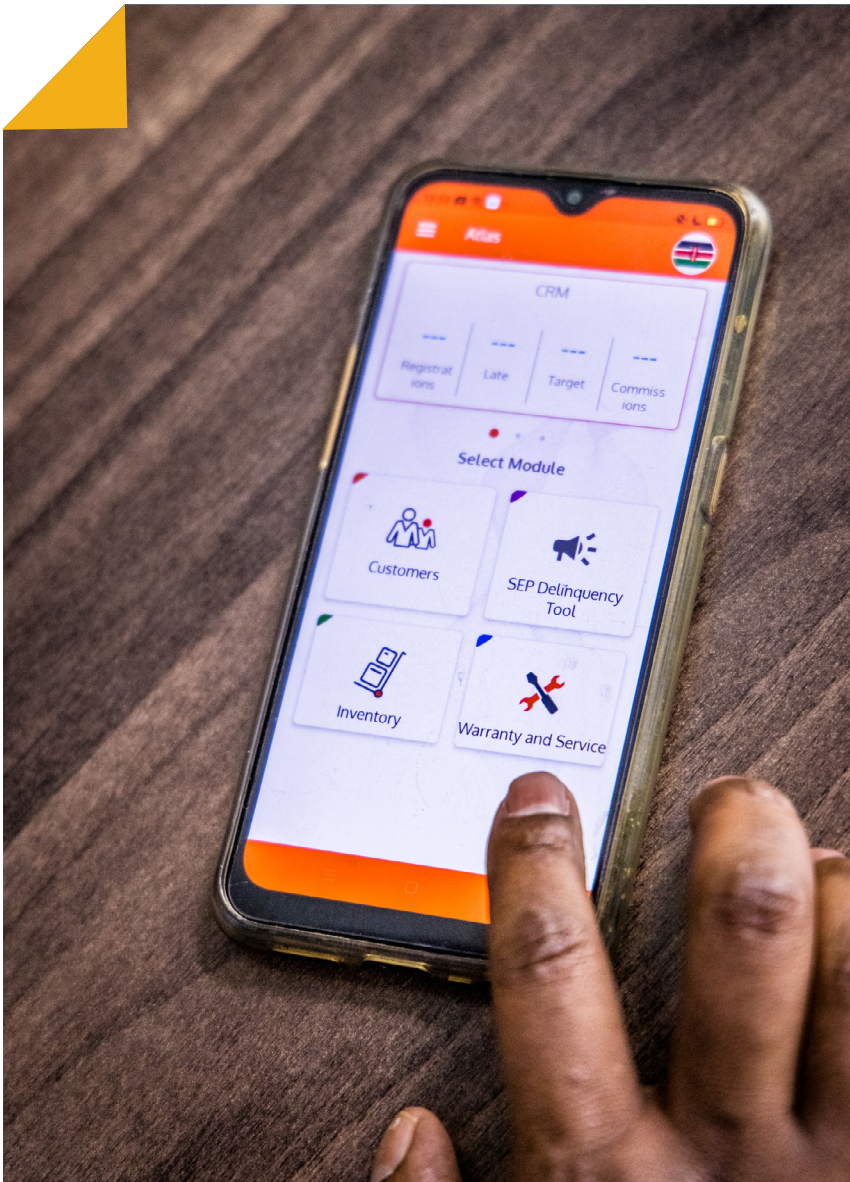
Solution 5: Fund and share research, learnings, and performance data on feasible lending models. Knowledge-sharing efforts should focus on providing practical guidance on how proven models operate within existing legal and macroeconomic environments, particularly for innovative approaches that require regulatory support, such as receivables refinancing. In parallel, greater public availability of performance data from lenders can help inform traditional lenders' understanding of the risk–return profiles of early-stage lending, especially for newer models including data-driven underwriting and innovative collateral structures. For example, Aceli Africa publishes annual benchmarking on the economics of agri-SME lending, including profitability trends.[31]

Solution 6: Create market-level technical assistance programmes to increase debt providers' potential pipelines. Debt providers struggle to identify companies ready for due diligence, while companies face high search costs to identify suitable lenders. Technical assistance could help companies assess when debt is appropriate,

27. Development Bank of Nigeria, "Offerings," accessed January 2026
28. Aceli Africa, "Financial Incentives," accessed January 2026
29. Aceli Africa, "Capacity Building for Lenders," accessed January 2026
30. The Legal 500, "Harmonizing Debt Markets: SEBI's Reforms and the Future of Securitization in India," accessed January 2026
31. Aceli Africa, 2025, Agricultural SME Lending in East & Southern Africa: Financial Benchmarking Report 2025

articulate financing needs, manage repayments, avoid overly restrictive early facilities, and connect with relevant providers. In Mexico, NAFIN's Te Capacita offers free online training on topics including the suitability of debt and lender credit assessment processes.[32]

Solution 7: Strengthen early-stage equity finance, via both primary and secondary equity markets, to unlock complementary debt and enable debt products with equity-linked upside. Adequate equity capital is essential to ensure companies mature to a stage where debt is used appropriately for return-generating purposes rather than as a substitute for equity. Credible equity exit pathways also support the development of more sophisticated debt instruments, including equity-linked products such as term loans with warrants, which help balance risk and upside for lenders and are common in more mature early-stage debt markets but remain rare in Africa. Specialist secondary equity investors can play a meaningful role in strengthening exit pathways and recycling equity capital. For example, BlueEarth Capital's dedicated impact secondaries fund provides liquidity to early-stage equity investors by acquiring existing stakes in impact-focused companies and funds across developed and emerging markets.[33] By enabling partial or full exits, such approaches free up capital for fund managers to reinvest in additional earlier-stage companies, extend fund lifecycles, and scale the equity ecosystem and, in turn, the complementary debt ecosystem.



32. Nacional Financiera (NAFIN), "Te Capacita," accessed January 2026
33. Blue Earth Capital, "Blue Earth Capital Announces First Close of Its Dedicated Impact Secondaries Offering," accessed January 2026

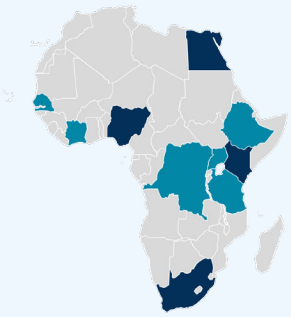
ANNEX

Scope & Definitions

The report focusses on early-stage FinTech, AgriTech, and CleanTech companies across ten key markets in Africa. The report considers early-stage to include Seed-Series B companies with initial debt needs of less than USD 5 million.

Market

- **Mature financing hubs (Egypt, Kenya, Nigeria, South Africa)**
- **Emerging IYBA markets (Côte d'Ivoire, DRC, Ethiopia, Senegal, Tanzania, Uganda)**



The study conducts deep dive analyses for markets **with mature venture ecosystems**, and aims to draw learnings to inform **IYBA markets.**

Stage

Focused on companies seeking initial debt facilities of <USD 5M:

- **Seed** (Early traction: product launched and first customers engaged)
- **Series A** (Scaling: product-market fit established and scaling customers)
- **Series B** (Expanding: strong revenues and operations)

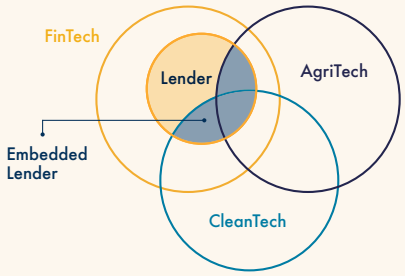
Sector

Focused on **three key sectors:**

- **FinTech** and Digital Banks, incl. Online Lending/ Payments, InsurTech
- **AgriTech** and FoodTech
- **CleanTech** and Climate Tech, incl. Off-Grid Energy

Focused both on **non-lending and lending businesses, including embedded lenders:**

- **Embedded Lenders** are defined as companies with a core product/service that is not financial, but which offer lending to facilitate the core product/ service (i.e., a sub-set at the intersection of Fintech with CleanTech and/or AgriTech sectors)



This report defines debt financing broadly as money raised through borrowing that must be paid overtime with interest and fees on (close to) commercial terms.

Definition of Debt

This study considers **"debt financing" as money raised through borrowing that must be repaid over time with interest and fees** on (close to) **commercial terms**

- This includes hybrid instruments if structured like debt but excludes hybrid instruments such as convertible or SAFE notes and concessional instruments (e.g., reimbursable grants)

Term loans with/without warrants	**Focus** of this study
Asset-backed loans	
Revenue-based loans	
Working Capital loans	
Revolvers	
Lines of Credit	**Secondary interest** for this study
Invoice financing/factoring	
Venture leasing	
Mezzanine loans	**Considered where structure resembles** a debt product
Shareholder loans	

ANNEX

Methodology

This report draws on surveys of 57 companies and 21 financiers, contextualized by 40 stakeholder interviews.

Demand side

A survey of 57 companies, targeting AgriTech, CleanTech, and FinTech companies at Seed to Series B across both mature financing hubs and IYBA markets, explored:

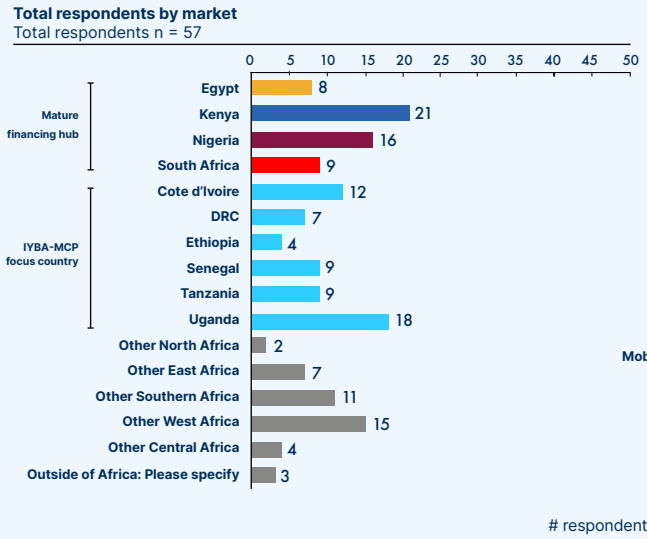
- The debt financing **needs and preferences** of African tech-enabled startups and scale-ups
- The **key factors** that shape the type of debt financing and products companies demand, and which providers companies approach
- The **main barriers** companies face in raising debt financing

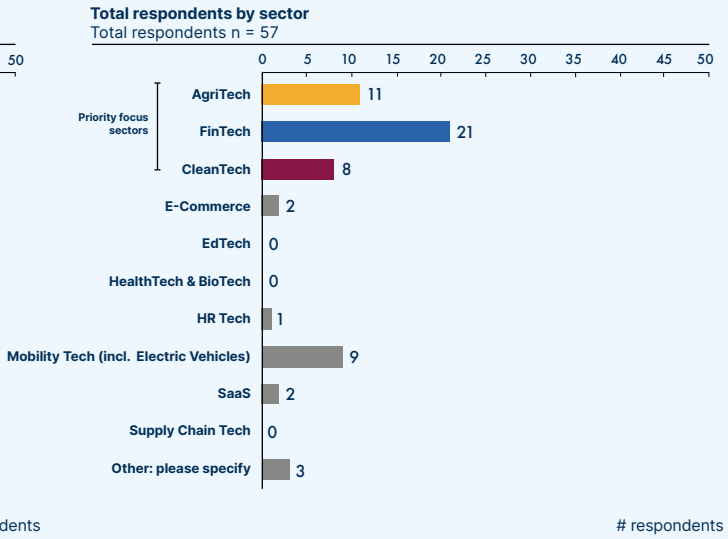
14 interviews with companies which had secured or were seeking debt financing, including follow-ons with survey respondents, helped to refine research findings. In addition to the above focus areas, interviews explored:

- How investors **tailor their offerings** to different company types
- What **support catalytic actors could provide** to help companies access debt

5 interviews with ecosystem experts contextualized insights from the above research

Survey sample





Acronyms: DRC = Democratic Republic of Congo; HR = Human Resources; SaaS = Software as a Service
Notes: 1. Given companies could select all markets in which they were active, individual companies may appear in data across multiple countries; 2. Other responses include: Ghana, Malawi, Morocco, Pacific Islands and Caribbean, Saudi Arabia, Switzerland, UAE, Zambia; 3. Other responses include: Energy Fintech, Manufacturing, Tech-supported financial management assistance to startups and SMEs.

Supply side

A survey of 21 financiers, targeting financiers serving (or with the potential to serve) African startups and scale-ups across both mature financing hubs and IYBA markets, explored:

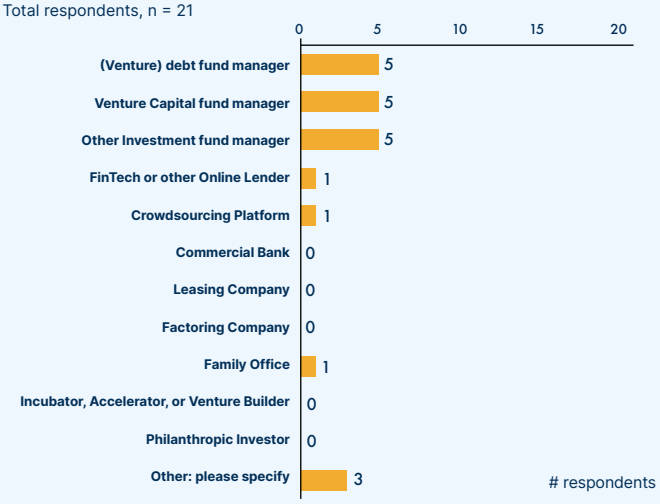
- The **current landscape of debt products** offered to startups and scale-ups, and their terms and conditions
- Lenders' perspectives on the **greatest constraints and opportunities to scaling up debt financing** to startups and scale-ups
- The **support catalytic actors could provide** to help scale up debt provision

21 interviews with debt providers operating across African markets, including follow-ons with survey respondents, helped to refine research findings. In addition to the above focus areas, interviews explored:

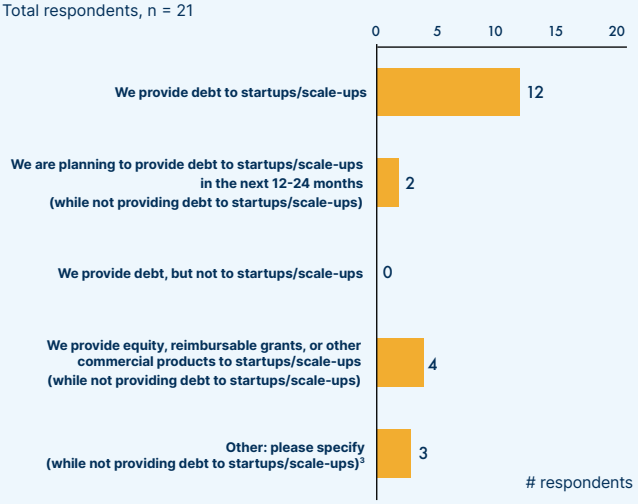
- How investors **tailor their offerings** to different company types
- What **support catalytic capital providers could provide** to help financiers scale up debt financing to startups and scale-ups

Survey sample

Total respondents by type of institution
Total respondents, n = 21

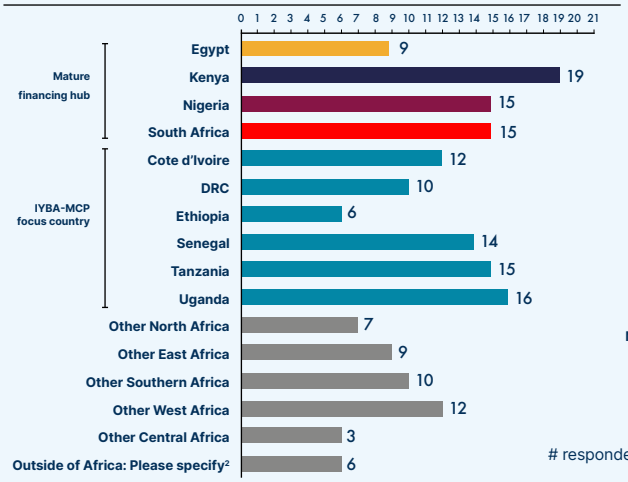


Total respondents by their organization's debt offering to startups/scale-ups[2]
Total respondents, n = 21

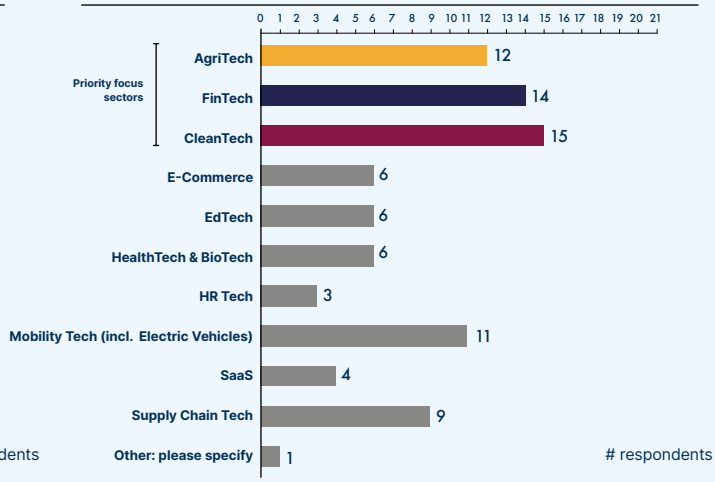


Notes: 1. Other responses include: Service provider for an upscaling programme; Venture Capital fund and Venture Builder; Accelerator and Fund Manager; 2. Given organizations could select multiple responses, the total sum across debt offerings may exceed the sample size; 3. Other responses include: Providing debt to companies with at least 2 years vintage, but not exclusively focused on startups; Providing credit on purchase of equipment to small businesses engaged in the installation of distributed energy projects, in emerging markets; Upscaling programme sponsor provided grants repayable upon commercial success

Total respondents by geography that suppliers are investing in[1]
Total respondents, n = 21



Total respondents by sector targeted by the supplier
Total respondents, n = 21



Acronyms: DRC = Democratic Republic of Congo; HR = Human Resources; SaaS = Software as a Service
Notes: 1. Given organizations could select all markets in which they were active, the total sum across geographies may exceed the sample size; 2. Other responses include: Latin America, Asia, global focus on emerging markets, Central and South-east Asia, Central and South America, US, UK, Eastern Europe, and Pan-Africa; 3. Other responses include: Sector agnostic

ANNEX

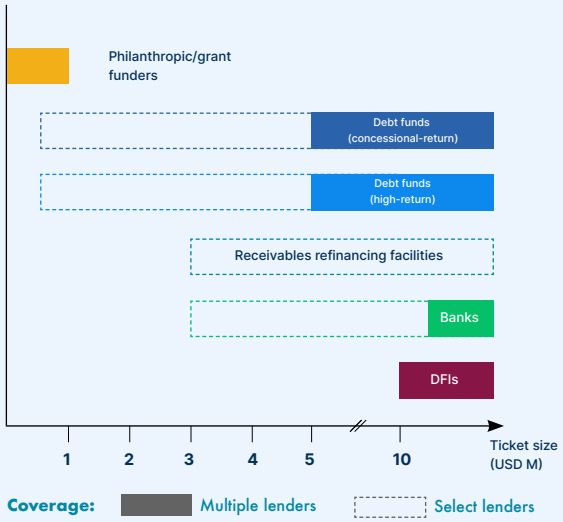
Debt Provider Landscape

This report finds that only specialized or opportunistic debt providers serve early-stage, tech-enabled companies in the USD 1–5 million range. More providers are willing to serve lending companies due to higher potential returns and short-term, predictable cashflows.

Landscape of debt providers offering debt up to USD 5 million to FinTech Lenders and Embedded Lenders

A greater range and number of debt providers target FinTech and embedded lenders with debt USD 1-5 million, reflecting higher return potential and lower cash flow risks. A limited number of high- and concessional-return debt funds provide financing from USD 500,000 onwards. Some specialize in small tickets, often starting below USD 1 million with most activity concentrated up to USD 2 million, such as Mobilis Capital Partners. Others include local debt funds operating in select markets, such as Camel Ventures in Egypt, and venture capital firms that offer debt alongside equity, such as Renew Capital. A small number of funds are willing to invest earlier than usual when there is potential for repeat lending, such as Cauris Finance. Emerging receivables refinancing facilities, such as Africa Frontier Capital (AFC) and Bridgin, are expected to provide USD 3+ million in on-lending finance. A limited number of banks lend under USD 5 million through sector-specific strategies, though these strategies are often subject to change. An example is Absa South Africa, which previously had a dedicated FinTech unit.

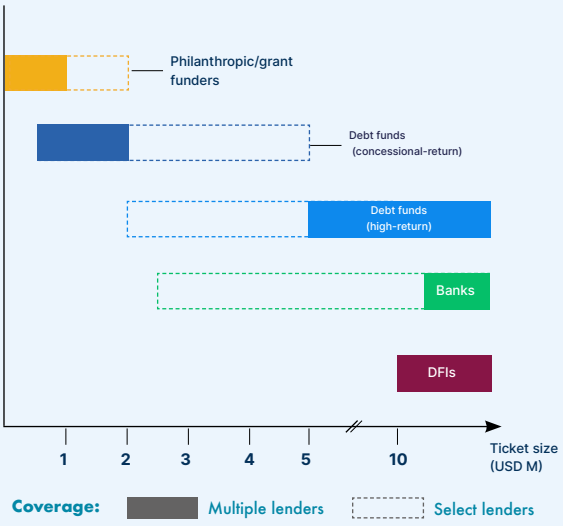
Landscape of providers for lending companies



Landscape of debt providers offering debt up to USD 5 million to Non-Lending Companies

Fewer debt providers are willing to finance non-lending companies' working capital and CapEx at USD 1–5 million due to lower potential returns and higher cash flow risk. A small number of concessional-return debt funds provide financing of USD 500,000 or more, including Acumen's Hardest-to-Reach Fund and the Global Innovation Fund Growth Fund. Most activity is below USD 2 million with selective financing up to USD 5 million. A small number of high-return debt funds invest opportunistically below USD 5 million. These are either specialized small-ticket funds, primarily backing on-lenders but willing to invest in other verticals where returns are strong, or larger ticket funds, willing to invest to build pipeline or enter new sub-verticals. Finally, as for lending companies, only a limited number of banks lend under sector-specific strategies, such as Sterling Bank Nigeria's climate focus.

Landscape of providers for Non-lending companies

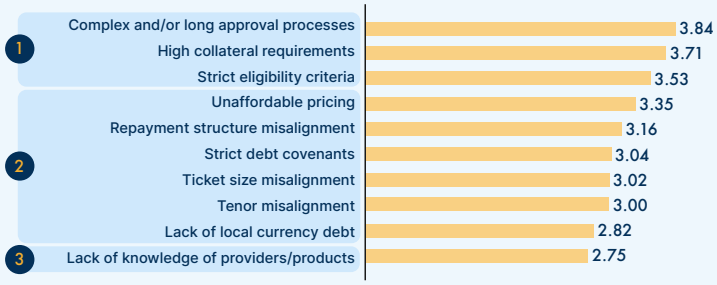


ANNEX

Barriers to Scaling Debt

Greatest constraints for companies accessing or using debt financing
Companies seeking debt in <12 months, n = 55

1. Challenging approval processes and eligibility criteria
2. Misaligned products
3. Low awareness of providers



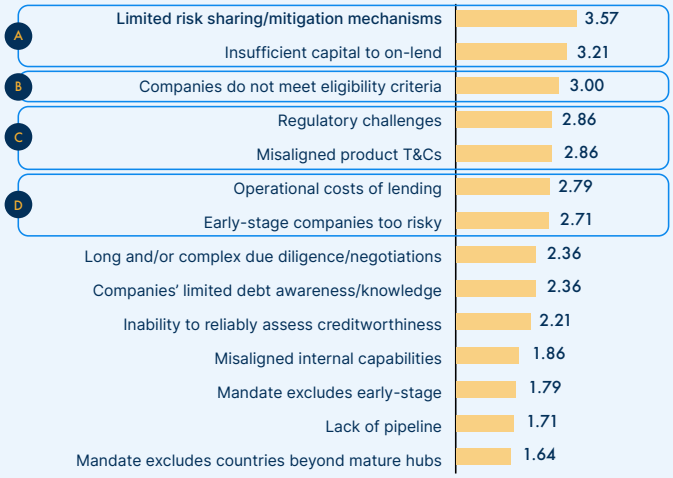
Average rating; Rate 1-5 lowest to highest constraint

Source: Dalberg demand survey and interviews

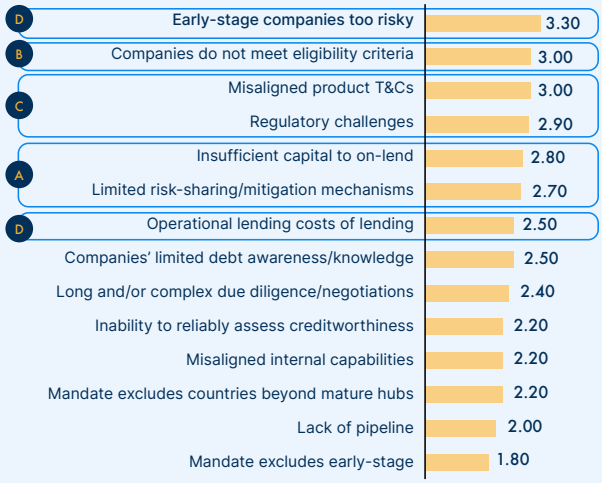
Barriers preventing extending debt to early-stage companies
Respondents providing/planning to provide debt

A. Lack of risk-sharing and capital to on-lend
B. Challenges with company eligibility
C. Limited ability to provide demanded products sustainably
D. High opportunity cost of serving early-stage companies

Those providing short-term debt (n=14)



Those providing long-term debt (n=10)



Average rating; Rate 1-5 least to most significant barrier

Notes: 1. Short-term: Working Capital, Inventory Finance, Loan Book Financing, Trade Credit; Long-term: CapEx, Geographic Expansion; Other: I don't know, Other; 2. Internal capabilities were defined as having the right knowledge/experience or internal processes to serve startups/scale-ups; 3. Mature financing hubs include Egypt, Kenya, Nigeria, South Africa.
Source: Dalberg supply survey and interviews

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