

debt as % of total funding

4th Annual *Debt* Investors Roundtable

Insights, innovations, and the road ahead

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A NOTE FROM THE EDITORS

From diagnosis to *design*.

For the first time in seven years of tracking African private capital markets, debt has overtaken equity.

At the 4th Annual Delta40 Debt Investors Roundtable we spent half a day interrogating what it actually means with eighteen leading debt investors.

This report is the body of insight that came out of the room - both diagnostic and practically actionable. Our hope is that this conversation continues beyond the workshop, and that we work together to test new ideas, take risks, learn, and scale the most promising solutions.

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Executive Summary

A structured data tracking began in 2019, debt has surpassed equity as the dominant form of capital deployed in the African startup and venture capital (VC) space across the continent, constituting 70% (\$494M) of the \$705 million in total Q1 2026 funding raised, a 26.5% year-on-year increase. This emergence of what participants at the 4th Annual Debt Investors Roundtable have termed the "New Debt Spring" signals a fundamental maturation of the African private capital ecosystem.

Yet beneath this headline figure lies a far more complex and uneven reality. The debt boom is heavily concentrated: just 10 companies captured 66% of all debt raised between 2019 and 2025, and nearly all of these companies share one common trait: physical, collateral-backed assets. For the vast majority of African startups operating in asset-light or early-growth environments, access to debt capital remains elusive, costly, and structurally misaligned with their needs. Despite the surge in debt volumes, only 22% of SMEs across the continent can access formal sector lending, a figure that has not meaningfully shifted.

70%

of all \$705M raised in Q1 2026 was debt since structured tracking began in 2019.

66%

of all debt deployed between 2019–2025 went to just 10 asset-backed companies.

22%

sector lending - a number that has not meaningfully moved.

The Roundtable in 2026 brought together 18 leading debt investors spanning commercial banks, development finance institutions (DFIs), venture debt providers, and impact investors, alongside founders, fund managers, and ecosystem builders. In total, over 40 debt investors have participated in our surveys and roundtables since 2023. Drawing on both a proprietary annual lender survey and live breakout discussions, the convening produced a body of insight that is both diagnostically sharp and practically actionable.

The central challenge before the ecosystem is not simply increasing the volume of debt capital. It is redesigning the architecture of how that capital is structured, de-risked, and deployed, so that it reaches the companies that need it most, at the terms and ticket sizes they can absorb and grow.

This Insights & Action Report captures unique data, gaps, opportunities, and best practices for Founders, equity investors, debt investors, philanthropists, banks, policy makers, and other industry leaders. Our hope is that this conversation continues beyond the workshop and that we work together to test new ideas, take risks, learn, and scale the most promising solutions.

SEVEN YEARS OF FUNDING DATA AND WHAT IT REVEALS

01 Market Evolution.

1.1 The Debt-Equity Flip

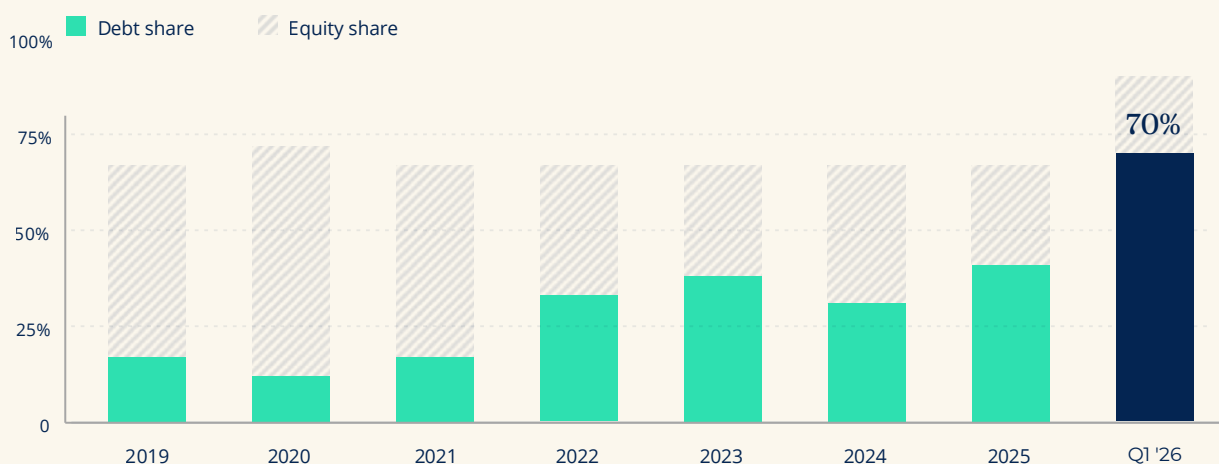
From 2019 through 2025, equity consistently outpaced debt as the primary financing instrument for African businesses. Venture capital, impact equity, and institutional equity flowed into the continent's most promising ventures, shaping a generation of startups around high-growth, equity-friendly models. That era has now ended, at least for the moment.

In Q1 2026, debt constituted 70% of the \$750 million total funding raised across the continent. The fundraising winter that has gripped global venture markets has pushed many founders toward debt to extend runway and avoid down-round equity valuations. Simultaneously, surging investment in clean logistics, energy infrastructure, and agribusiness, sectors where companies hold physical assets, has created a natural environment for debt-backed financing. A small but growing cohort of specialist lenders and blended finance vehicles has also developed the risk frameworks required to extend credit meaningfully in African markets.

The shift is real. But it is also, at present, fragile and heavily concentrated.

DEBT VS. EQUITY, 2019 – Q1 2026

Debt share of total African startup funding · % of annual volume



Source: Africa: The Big Deal 2025 Year-End Review.

1.2 Concentration Risk: Who Is Actually Getting the Debt?

The aggregate growth in debt financing conceals a stark inequality of access. Between 2019 and 2025, just 10 companies accounted for 66% of all debt deployed across the continent. These companies: d.light, MNT-Halan, Sun King, M-KOPA, Wave, Moove, Spiro, valU, Planet42, and Burn, represent some of Africa's most recognised and scaled ventures, and their dominance of the debt market is not accidental. d.light alone raised a \$300 million facility in 2025 according to Africa the Big Deal. What these companies share, almost universally, is a single defining characteristic: they hold physical assets that can serve as traditional collateral including solar panels, vehicle fleets, manufacturing equipment, consumer devices, and inventory at scale.

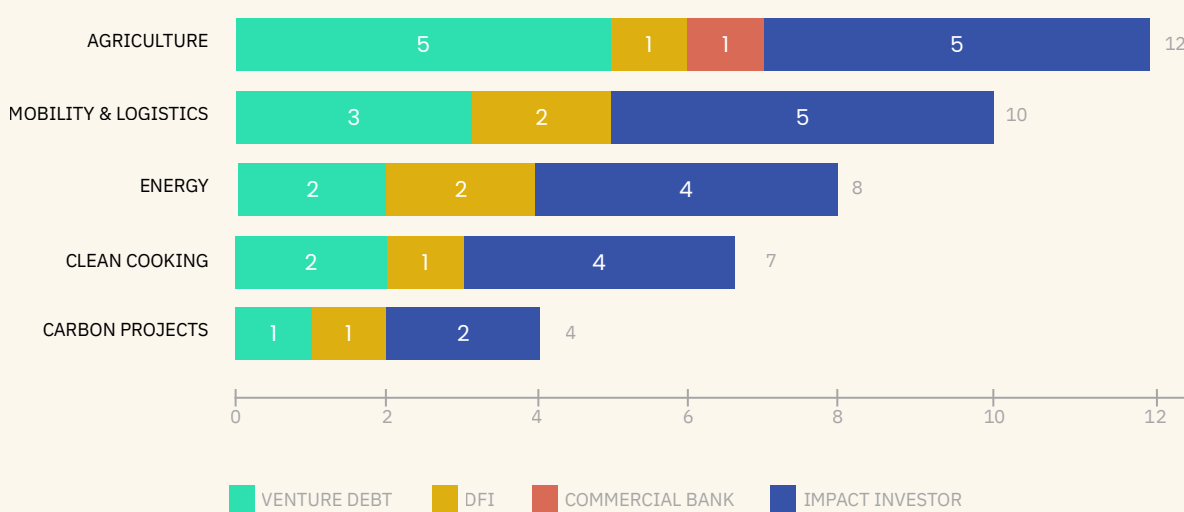
This concentration is the logical output of a lending infrastructure designed for a different era. Lenders operating in African markets have largely inherited underwriting frameworks built for industrial-era businesses, and these frameworks systematically exclude the asset-light, data-rich, high-growth ventures that define Africa's most exciting and fast-growing entrepreneurial cohort. The result is a two-tier debt market. In the first tier, a small number of scaled, asset-backed companies access increasingly large debt tickets with relative ease, their balance sheets and collateral profiles speaking a language that traditional lenders readily understand. In the second tier, hundreds of high-potential startups, many of them growing faster, innovating more boldly, and serving larger underserved populations, are structurally locked out entirely.

1.3 Sectoral Priorities Among Lenders

Survey data gathered from climate debt investors ahead of the Roundtable revealed clear sectoral preferences. Agriculture emerged as the top priority, driven by the tangibility of agri-assets and strong DFI interest in food security. Mobility and logistics ranked second, reflecting the growth of clean logistics fleets and last-mile delivery infrastructure. Energy rounded out the top three, boosted by distributed energy and clean cooking solutions where solar assets and pay-as-you-go receivables provide clear lending anchors. Notably absent: fintech, healthtech, edtech, and most B2B SaaS businesses, sectors growing rapidly but lacking collateral profiles that current lender frameworks require.

SECTORS: FOCUS ON AGRICULTURE, ENERGY, MOBILITY & LOGISTICS

Agriculture leads alignment (12 of 15 lenders) · Energy and Mobility & Logistics anchor every category



UNDERSTANDING THE "MISSING MIDDLE"

02 The Structural Chasm.

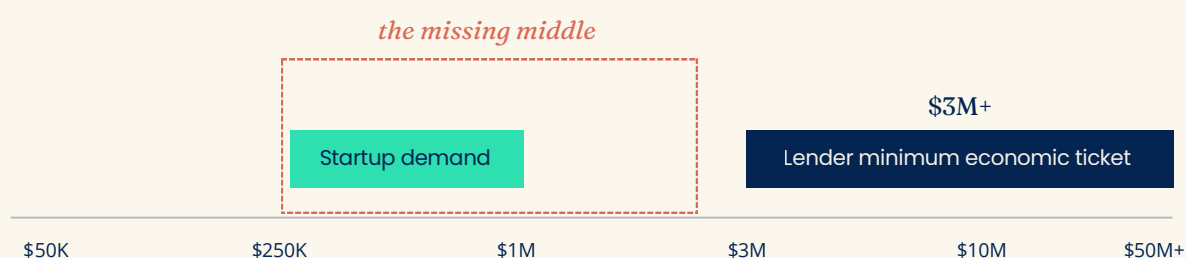
2.1 The Ticket Size Mismatch

Perhaps one of the most consequential findings from the Roundtable is the persistence of what participants called the "missing middle", a funding gap that sits squarely between what startups need and what lenders are willing to deploy.

Most growth-stage African startups require debt tickets in the range of \$250,000 to \$1 million. These are meaningful sums at the company level, sufficient to finance a working capital cycle, build out inventory, or hire a finance function. But they are insufficient to justify the due diligence and operational costs that large lenders incur on any given deal. For lenders and DFIs operating at scale, the minimum economically viable ticket is typically \$3 million or above. Below this threshold, the cost of origination, legal structuring, monitoring, and reporting consumes an unacceptable proportion of returns. The result is a rational but devastating market failure where lenders cannot profitably serve the segment of the market that most urgently needs them.

THE MISSING MIDDLE

What growth-stage startups need vs. what most institutional lenders will deploy.



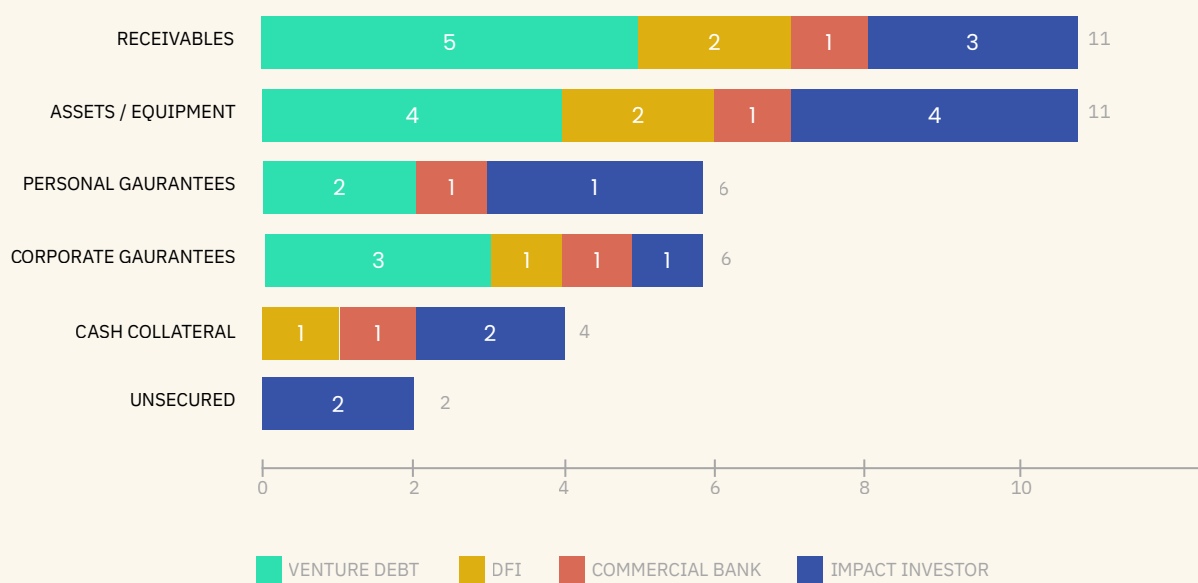
2.2 The Collateral Trap and the Absence of Venture Debt

Compounding the ticket size mismatch is the dominance of traditional collateral requirements. Most African lenders, and virtually all local commercial banks, require tangible security in the form of cash deposits, real property, or registered physical assets. For the overwhelming majority of startups, these requirements are impossible to meet, creating a circular trap where the absence of collateral prevents the access to capital that would enable collateral to be built.

Further compounding these challenges is the near-total absence of venture debt as a product category on the continent. Venture debt, subordinated or unsecured credit extended to post-traction, pre-profitability companies on the basis of investor backing and growth metrics, is a mature asset class in the United States, Europe, and increasingly Southeast Asia. In Africa, it is functionally non-existent. This gap leaves a generation of companies stranded between equity rounds in that they are too mature for seed grants, too risky for traditional bank credit, and too small for DFI facilities.

COLLATERAL & SECURITY

Collateral remains the norm: 80% of surveyed lenders require security; receivables and physical assets dominate



2.3 The Local Bank Problem

Roundtable participants reached a frank and consequential consensus: **local commercial banks are not, and in the near term are unlikely to become, effective participants in startup debt financing.**

Considerable effort has been invested by ecosystem actors, including DFIs offering 100% first-loss guarantees, to encourage local banks to extend credit to growth-stage businesses. These efforts have largely been mostly unsuccessful. Local banks generate reliable, risk-free returns from government securities and do not require the complexity and overhead of startup lending. Credit underwriting functions in most local banks lack the skills and frameworks needed to evaluate cash-flow-based lending or technology-enabled businesses. Risk appetite at the board and management level has not evolved to accommodate startup-specific dynamics. The Roundtable agreed to redirect strategic energy toward building independent alternative infrastructure.

CRITICAL LEARNING

03 For Founders & Investors

Key insights from the survey for what is holding back debt deployment:

Across the lenders, the primary constraint is not the availability of capital, but the quality and risk profile of the investment pipeline. Investors consistently point to the shortage of investible, debt-ready borrowers as the single most significant barrier to deployment. Many potential borrowers lack the operational, financial, or governance maturity required to meet lender expectations, making it difficult for capital providers to originate bankable opportunities at scale.

Elevated risk profiles further complicate deployment. Perceived credit, operational, and market risks often result in extended due diligence processes and the imposition of tighter covenant structures, which can slow transactions and reduce financing flexibility for borrowers. In parallel, currency risk remains a major concern, particularly for cross-border and emerging market investments where exchange-rate volatility can materially affect repayment capacity and returns. Internal credit committee processes within financing institutions also contribute to delays, as investment teams face heightened scrutiny and stricter approval thresholds for higher-risk transactions.

As a result, strengthening borrower-readiness infrastructure has emerged as a critical priority for unlocking available capital. This includes expanding access to technical assistance, improving ESG compliance and reporting standards, and strengthening financial management and disclosure practices. Building these capabilities can help borrowers become more investment-ready, reduce perceived risk for lenders, and ultimately accelerate the flow of capital into the market.

CRITICAL LEARNING

For Founders.

3.1.1 ADOPTING THE LENDER MINDSET

One of the most important insights from the Roundtable is the profound mindset shift required of founders seeking debt capital. Most founders in the African ecosystem have been trained, by accelerators, venture funds, and the prevailing culture of startup finance, to present ambitious, exponential growth narratives that optimize upside. This is precisely the wrong approach for debt investors whose most pressing need is to not lose a dollar of principal.

3.1.2 REPLACE HOCKEY STICKS WITH STEADY STATES

Debt investors are not evaluating upside potential, they are managing downside risk. They need conservative, steady-state financial models that credibly demonstrate repayment capacity under adverse conditions. Presenting a \$100M revenue projection to a debt investor signals a fundamental misunderstanding of their mandate.

3.1.3 UNIT ECONOMICS ARE NON-NEGOTIABLE

The Roundtable affirmed a hard line: debt financing will not be extended to companies that are not gross profit margin positive at the unit level. This is not a preference, it is a floor. Founders who cannot demonstrate unit-level profitability should not be pursuing debt and should focus first on reaching that threshold.

3.1.4 GOVERNANCE IS A PREREQUISITE, NOT AN AFTERTHOUGHT

The most frequently cited deal-killers among lenders were governance failures: the absence of audited financial statements, the lack of independent board oversight, underpowered finance functions, and insufficient data transparency. Founders must treat institutional-grade governance as a precondition for debt readiness.

3.1.5 INVENTORY CAN BE COLLATERAL

For businesses with physical inventory, agriculture offtakers, FMCG distributors, logistics operators, inventory cycles can and should be positioned as bankable collateral. A 90-day rolling inventory turnover is a concrete, defensible security instrument.

3.1.6 MANAGE RUNWAY AND BURN CONSERVATIVELY

Common deal-breakers include insufficient remaining runway, high cash burn relative to revenue, and signs of over-indebtedness. Founders approaching debt markets should ensure at least 12–18 months of runway, declining or controlled burn, and no existing obligations that would compromise senior creditor priority.

CRITICAL LEARNING

Investors and Lenders

3.2.1 DURATION MATCHING IS ESSENTIAL

Credit instruments must be structured to match the cash flow cycle of the underlying asset. Mismatch between asset duration and liability duration is a primary driver of financial distress in the companies lenders are trying to support.

3.2.2 THE "RESPONSIBLE NO" IS A TOOL, NOT A FAILURE

Lenders have a professional and ethical responsibility to decline applications from companies for whom additional debt would be destructive. A thoughtful refusal, delivered with clear guidance on what must change, is often more valuable to a founder than capital extended at the wrong moment.

3.2.3 DUE DILIGENCE PROCESSES MUST BE MAPPED AND COMMUNICATED

Founders need to plan treasury management around realistic disbursement expectations. The distinction between origination-to-decision timelines and decision-to-disbursement timelines is particularly important, these are different processes with different bottlenecks, and both need to be understood and communicated clearly.

THE SHARED AGENDA

Strengthening borrower-readiness infrastructure has emerged as a **critical priority** for unlocking available capital, technical assistance, ESG compliance, financial management, and disclosure practices.

PATHWAYS

04 Innovations and Emerging Solutions

4.1 AI-Powered Financial Intelligence: Flowt

One of the most significant announcements at the Roundtable was the introduction of **Flowt**, a new Delta40 Venture Studio portfolio company and AI-powered financial intelligence platform designed to address the data quality and transparency gap at the heart of Africa's debt financing challenge.

Flowt operates on two complementary axes. For founders and ventures, it provides a debt readiness tool, a structured assessment and improvement framework that helps companies understand where they stand relative to lender requirements, identify governance and data gaps, and build the financial presentation needed to access credit. For lenders and fund managers, it provides real-time portfolio monitoring that reduces the cost and complexity of ongoing credit surveillance.

The platform reflects a broader recognition that AI's most immediate value in the African lending context is not replacing human credit judgment, but automating the front-end processes, KYC, document processing, financial spreading, preliminary screening, that currently consume disproportionate lender capacity and create pipeline bottlenecks.

4.2 Sector-Specific Digital Funds: Level Africa

Level Africa is pioneering a model that channels local retail and institutional capital directly into targeted industry segments through digital, sector-specific investment funds. The flagship vehicle is the **Coffee Exporters Fund**, which aggregates capital from local investors, including retail savers who have historically had no mechanism to participate in productive economy financing, and deploys it as working capital and trade finance to coffee exporters. By bypassing traditional banking infrastructure and tapping into local capital pools, Level Africa is simultaneously addressing the supply-side capital gap and building a local institutional investor base for assets that have historically only attracted foreign capital.

4.3 Philanthropic First-Loss Structures: Resolve Fund

Resolve Fund is deploying a blended finance architecture in which philanthropic capital provides **first-loss protection of 20% to 40%** on working capital funds. This structure dramatically reduces the risk profile of the senior tranche, making it accessible to a much broader range of institutional debt investors and enabling working capital funds to reach \$100 million or above in total capitalization. As funds build track records of performance, first-loss layers can be reduced or removed entirely, transitioning the structure toward fully commercial funding.

4.4 Insurance as a Scaling Mechanism

A recurring theme in Roundtable discussions was the potential for private insurance products to serve as an alternative to DFI guarantees. Under emerging structures, insurance providers offer principal coverage of 75-80%, priced at market rates and processed with significantly less complexity than traditional guarantee facilities. This model offers faster deployment, more scalable capacity, and a shift toward market-based risk pricing. While still nascent, this approach was identified as one of the most promising structural innovations for scaling debt access in the medium term.

ACTION PLAN

05 Strategic Next Steps

EVOLVING THE STRATEGY - BUILDING INDEPENDENT INFRASTRUCTURE IN PARALLEL

The Roundtable reached an honest and pragmatic conclusion that rather than continuing to direct disproportionate energy toward converting local commercial banks into startup lenders, the ecosystem's greatest opportunity lies in building the independent infrastructure that can serve growth-stage businesses today. This is not a rejection of local banks as long-term partners - many participants expressed genuine optimism that as alternative lending vehicles build track records and demonstrate risk-adjusted returns, banks will naturally follow. It is, rather, a recognition that the market cannot wait. By accelerating the development of digital funds, blended finance vehicles, AI-powered platforms, and insurance mechanisms, the ecosystem creates the proof points and performance data that will ultimately bring banks to the table on better terms - and from a position of demonstrated success rather than advocacy alone.

ADVANCING DATA TRANSPARENCY

A significant barrier to the growth of Africa's debt markets is the absence of shared, anonymised performance data. DFIs, impact lenders, and fund managers hold valuable data on default rates, recovery rates, and disbursement timelines that, if shared in aggregate, could dramatically reduce the perceived risk of African startup lending for new market entrants. Participants expressed strong alignment around the value of a structured transparency initiative, and DFIs were identified as the natural leaders of that effort given their scale, credibility, and existing relationships across the ecosystem.

BRIDGING THE EQUITY-DEBT MINDSET GAP

One of the more nuanced tensions surfaced at the Roundtable sits not between founders and lenders, but between the two categories of investor that often back the same company simultaneously. Equity investors, by mandate and incentive, encourage portfolio companies to pursue aggressive growth, build hockey-stick projections, and prioritise scale over near-term profitability. Debt investors, by contrast, require the opposite, i.e., conservative forecasting, demonstrated unit economics, and stable, predictable cash flows that support repayment. When both types of capital are present in the same company, these competing pressures can create real operational and financial confusion for founders - and in some cases, equity-driven growth strategies actively undermine a company's debt readiness.

Addressing this requires more than founder education. It requires equity investors and debt providers to develop shared frameworks for assessing and communicating the debt readiness of portfolio companies - so that the transition from equity-backed growth to debt-supported scaling is deliberate, well-timed, and coordinated rather than reactive.

FROM DIAGNOSIS TO DESIGN

06 Conclusion

The 4th Annual Debt Investors Roundtable affirmed that Africa's debt financing ecosystem is entering a period of genuine and potentially transformative change.

The shift in funding composition from equity to debt is encouraging. The emergence of innovative structures like Flowt, Level Africa, and Resolve Fund is promising. The willingness of leading practitioners to confront hard truths - about local banks, about governance failures, about ticket size mismatches - represents a maturity that bodes well for the years ahead.

The critical question is whether the ecosystem can move from diagnosis to design: building the instruments, institutions, and norms that make debt capital accessible not just to the 10 companies that currently dominate the market, but to the hundreds of enterprises across the continent that are ready to deploy it responsibly and profitably. Delta 40 and the participants of this Roundtable are committed to that work.

This report was prepared based on discussions, survey data, and presentations from the 4th Annual Debt Investors Roundtable, convened by Delta40 Venture Studio in April 2026.

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