

Lagos is Africa's most valuable startup ecosystem

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Lagos has the most valuable startup ecosystem in Africa, with the local entrepreneurship scene worth US\$2 billion, according to a new report.



Lagos, Nigeria. ©leonardo viti via [123RF](#)

The recently released [Global Startup Ecosystem Report and Ranking 2017](#), produced by [Startup Genome](#) in collaboration with the Global Entrepreneurship Network (GEN), was based on conversations with entrepreneurs and data on startups.

No African country made the top 20, but Lagos, Cape Town and Johannesburg warranted mention in the report. At US\$2 billion, the Lagos startup ecosystem is the most valuable in Africa continent, but only second after Cape Town in terms of the number of startups.

The Lagos ecosystem has the ninth highest rate of founders with an undergraduate degree at 59%, while 93% of them have a technical background, the third highest rate in the world.

However, Lagos startups have one of the lowest rates of foreign customers, suggesting challenges to going global. Only 11% of startups plan to go global.

“While Nigeria is busy adding six million new internet users every year, the feverish entrepreneurial energy of Lagos and

its estimated 400-700 active startups stayed consistent by providing them with useful new technologies,” the report said.

“At the same time as the business models of local startups become more robust and innovative over time, we also see more of them also make headlines by receiving big checks from top Silicon Valley VCs including Greycroft, Khosla Impact, Green Visor, Social Capital Partnership, and many others.”

Cape Town

Cape Town is the largest startup ecosystem on the African continent, with between 700 and 1,200 active tech startups in the city. The whole ecosystem, however, is valued at US\$172 million, well below both Lagos and Johannesburg.

One-third of Cape Town startup founders have gained at least two years of prior experience in a fast-growing startup, making them five percent more experienced than the global average. Yet Cape Town startups have one of the lowest utilisation rates of startup advisors in the world, with only 0.85 advisors with equity per startup.

“Much of Cape Town’s talent comes to the ‘Silicon Cape’ for its solid academic institutions and stays for its moderate living expenses and friendly people,” the report said.

“Cape Town is an emerging city that is not yet plugged into the global ecosystem and its fluid exchange of resources. However, above average startup experience, low cost of engineering talent and relatively solid funding factor in the regional comparison are bright spots to build upon during the next years to come.”

The ecosystem with the highest global connectedness was Johannesburg, which also has an ecosystem value of US\$1.36 billion. The city has the third highest percentage of startups globally that experienced positive corporate interest and involvement, at 67%. The global average is at 51%.

Meanwhile, 27% of startups reported they are offering a product that is the first of its kind globally. Only 10% of startups immediately target the US or UK markets, far below the global average of 36%. Johannesburg startups have 0.9 advisors with equity, indicating a lack of support systems for founders.

Johannesburg

“Johannesburg is already home to an estimated 200-500 currently active tech startups. Johannesburg’s rapidly growing tech scene had over 180 startup events last year, while the city’s combined financial resources infused funding of nearly US\$252 million for its most promising companies. The high concentration of talented people in the area helps new startups move quickly,” the report said.

“Johannesburg is facing challenges around its relative lack of Startup Experience, Funding, and Global Connectedness. The average valuations of local startups are currently outperforming considering those handicapping factors.”

Globally, Silicon Valley ranked first, for everything other than talent, with New York second and London third. Beijing and Boston completed the top five.

“Such research increases the global exposure of smaller ecosystems and the innovative new recipes that can now be invented anywhere. In doing so, it puts third-party objective analysis and credible input into hands of many more entrepreneurship champions in a mission to capture their cities’ fair share and standing in this new economy,” said GEN president Jonathan Ortmans.