From the Idea Economy to the Problem Economy

A Strategic Roadmap for African Entrepreneurial Prosperity

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Africa does not suffer from a shortage of ideas. It suffers from a shortage of ventures built on problems that are sufficiently urgent, frequent, costly and commercially relevant to sustain a business.

AFRICA'S ENTREPRENEURIAL PARADOX

Africa's demographic and entrepreneurial potential is immense. The continent is home to approximately 1.5 billion people, and United Nations projections indicate that its population could more than double by around 2070. [1]

Capital is returning to African technology ventures. In 2025, African tech companies raised about US$4.1 billion in combined equity and debt financing. But the recovery was uneven: debt accounted for roughly US$1.6 billion, and the growth in total funding was driven more by larger transactions and financing mix than by a broad expansion in deal activity. [2]

Capital also remained highly concentrated. Egypt, Kenya, Nigeria and South Africa attracted approximately 82 per cent of reported startup funding in 2025. Founders outside these larger

ecosystems therefore compete not only on the quality of their ventures, but also against weaker capital networks, smaller domestic markets and greater institutional friction. [3]

This produces an apparent paradox. Africa has no shortage of talented founders, innovation programmes, pitch competitions, hackathons and startup ambition. Yet many ecosystems still struggle to produce a consistent pipeline of ventures that can demonstrate validated demand, sound economics and credible pathways to scale.

> **The central question:** Are African ecosystems helping entrepreneurs build more solutions, or are they helping them identify and solve stronger problems?

THE LIMITATIONS OF THE IDEA ECONOMY

Much of the modern entrepreneurship-support system operates within what I call the Idea Economy. In this model, the idea becomes the starting asset. Founders are encouraged to generate concepts, form teams, design prototypes and pitch solutions, often before the underlying problem has been examined with equal discipline.

Ideas, technology and creativity are not the problem. Hackathons and rapid prototyping can be valuable. The difficulty is the sequence. When solution development begins before problem validation, assumptions harden into products, products consume scarce capital and founders become psychologically committed to defending what they have built.

This risk is particularly serious in markets where disposable income is limited, business activity is highly informal, infrastructure is expensive, customer groups are geographically fragmented and institutional procurement is slow. World Bank research has documented how the cost and scarcity of infrastructure, electricity, technology and complementary capabilities constrain adoption by African firms and consumers.[4]

Under these conditions, a genuine social or development need does not automatically become a viable market. A founder must still determine who experiences the problem most intensely, what they currently do about it, who is able and willing to pay, and what prevents adoption even when the need is real.

Idea Economy	Problem Economy
The proposed solution is the starting point	Verified evidence of the problem is the starting point
Novelty and pitch appeal receive early attention	Urgency, frequency, consequences and current behaviour receive early attention
Prototyping precedes rigorous validation	Validation determines whether and what to prototype
Support is allocated primarily to promising founders and ideas	Support is staged according to problem evidence, constraint insight and learning
Failure is often discovered after resources are committed	Weak problems are identified before substantial resources are committed

WHAT IS A PROBLEM ECONOMY?

> **Definition:** A Problem Economy is an entrepreneurial system in which founders, accelerators, investors and policymakers allocate attention, support and capital according to verified evidence of problem strength, not merely the novelty or attractiveness of proposed solutions.

The Problem Economy does not reject ideas. It changes what the ecosystem rewards and the order in which entrepreneurial decisions are made. The sequence becomes:

Problem evidence → Binding constraint → Solution design → Business-model validation → Capital

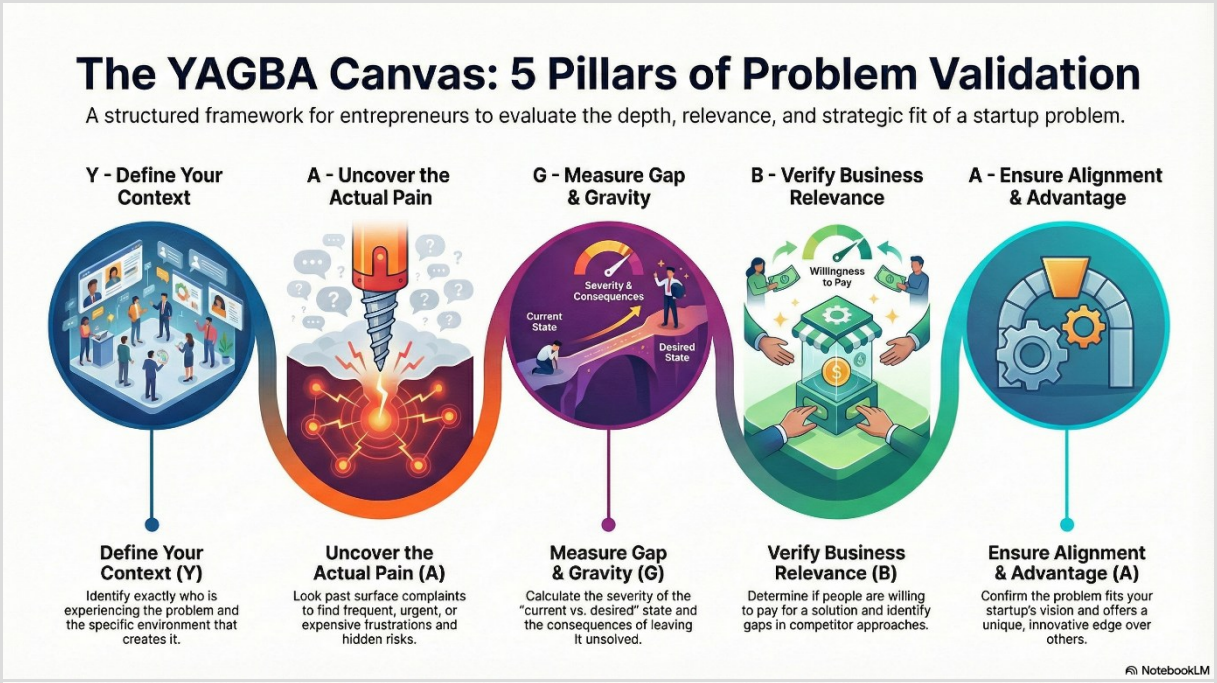
This sequence matters because the quality of a solution cannot compensate for a weak problem. Equally, a strong problem does not guarantee that any particular solution will succeed. The purpose of the Problem Economy is therefore not to predict winners with certainty. It is to improve the quality of evidence before founders and institutions make increasingly expensive commitments.

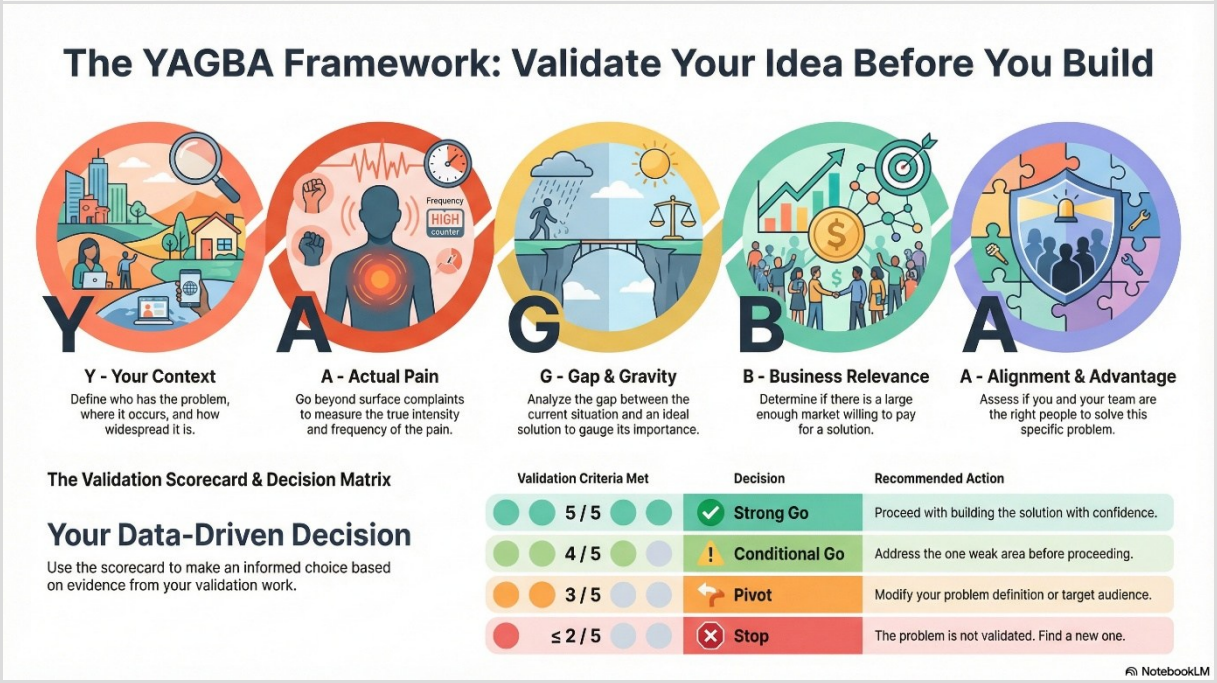
YAGBA: MEASURING PROBLEM STRENGTH BEFORE SOLUTION STRENGTH

YAGBA is the diagnostic foundation of the Problem Economy. It was designed to help entrepreneurs move beyond broad statements such as 'young people cannot find jobs', 'farmers lack markets' or 'small businesses need finance'. These may describe important conditions, but they do not yet define a commercially actionable problem.

YAGBA evaluates problem strength across five connected dimensions:

1. **Your Context.** Who experiences the problem, where, when and under what conditions? A problem cannot be assessed without a clearly bounded context.
2. **Actual Pain.** What is the person or organisation actually experiencing? How frequently does it occur, what behaviour does it trigger and what happens if it remains unresolved?
3. **Gap & Gravity.** Why are existing alternatives inadequate? How serious, persistent and consequential is the gap between the current and desired condition?
4. **Business Relevance.** Does solving the problem create measurable economic value? Is there an identifiable customer, payer or procurement route with the ability and willingness to pay?
5. **Alignment.** Is the founder sufficiently close to the problem to understand it? Does the venture align with the founder's capabilities, motivation, access and the wider market or institutional environment?





Together, these dimensions create a disciplined test of whether a problem is specific, experienced, consequential, inadequately addressed and capable of supporting a venture. YAGBA is therefore a problem-definition and problem-strength diagnostic, not a complete investment-readiness assessment.

> **Important boundary:** A strong YAGBA score is a necessary signal, not a guarantee of venture success. Team quality, governance, solution performance, regulation, unit economics, capital discipline and execution must still be assessed separately.

BEYOND PROBLEM FIT: IDENTIFYING THE BINDING CONSTRAINT

A founder may identify a strong problem and still build an unsuccessful venture. This happens because the visible problem is not always the factor preventing adoption. The next task is to identify the binding constraint, the condition that must change before customers can consistently adopt and pay for a solution.

Common constraints in African markets include:

6. Affordability: customers value the solution but cannot manage a large upfront payment.
7. Distribution: the customer is difficult or expensive to reach reliably.
8. Trust: customers are unwilling to commit without a known agent, proof or recourse.
9. Procurement: the beneficiary needs the solution, but a government, employer, donor or institution controls purchasing.
10. Infrastructure: power, connectivity, transport or payment systems make delivery costly or unreliable.
11. Capability: the user needs complementary skills, equipment or processes before the solution creates value.
12. My favourite- Switching costs.

This produces a more rigorous venture-development sequence: establish Problem Fit, diagnose Constraint Fit, design the solution and business model around that constraint, and only then evaluate scalability and capital readiness.

ILLUSTRATIVE CASES THROUGH THE YAGBA LENS

EASY SOLAR: A STRONG PROBLEM, SOLVED THROUGH CONSTRAINT INNOVATION

Easy Solar entered a powerful problem space in Sierra Leone and Liberia: households and businesses lacked reliable electricity and were already paying for inferior alternatives such as kerosene, batteries and generators. The need was frequent, consequential and commercially visible.

But the existence of demand for electricity did not automatically create demand for a conventional solar purchase. The binding constraint was affordability. Easy Solar combined pay-as-you-go financing, flexible incremental payments and an extensive agent and retail network, adapting access to the financial and distribution realities of its customers. [5]

This combination helped the company attract a US$5 million equity-and-debt round in 2020, comprising US$3 million in equity from Acumen and FMO and a US$2 million debt facility from Trine. Investors were not simply backing a solar product. They were backing a model capable of overcoming the constraint that prevented a strong problem from becoming a scalable market. [6]

M-PESA: REMOVING A FOUNDATIONAL TRANSACTION FRICTION

M-PESA was launched in Kenya in 2007 as a fast, safe and affordable way for people to send and receive money through a mobile phone. It addressed a frequent and costly economic friction

for people who needed to transfer, store and access money without depending on conventional bank infrastructure. [7]

Its strength did not come from novelty alone. M-PESA was aligned with existing customer behaviour, basic mobile-phone access, an agent network and a transaction model that captured value at the moment money moved. By solving a foundational friction, it became infrastructure for additional services rather than a single-purpose application.

ZIPLINE: MATCHING A HIGH-CONSEQUENCE PROBLEM WITH AN INSTITUTIONAL PAYER

Zipline's African operations address unreliable and slow access to blood, vaccines and essential medicines, particularly for health facilities serving difficult-to-reach populations. The underlying problem has extremely high consequences, but the principal beneficiary is not necessarily the direct payer. Zipline's model therefore depends substantially on institutional and government procurement. [8]

The lesson is that willingness to pay must be located in the complete system. In health, education, infrastructure and agriculture, the person experiencing the pain may differ from the organisation able to purchase the solution. A strong problem analysis must identify both.

CAUTIONARY CASES: WHEN A REAL PROBLEM IS NOT ENOUGH

54GENE: SCIENTIFIC IMPORTANCE VERSUS VENTURE VIABILITY

54gene addressed a real and globally important scientific gap: the underrepresentation of African genetic material in biomedical research. It raised more than US$45 million before winding down its operations in 2023. [9]

It would be misleading to attribute the company's collapse to one factor. Public reporting identified funding depletion, strategic pivots, leadership changes and operating difficulties. The broader YAGBA lesson is more careful: a scientifically and socially important problem must still be connected to a defined paying customer, a workable purchasing process, an acceptable time to revenue, disciplined governance and a financing model suited to the long development cycle.

JUMIA: A CONTINUING TEST OF STRUCTURAL ECONOMICS

Jumia should not be described as a startup graveyard. It remains an operating public company. It is better understood as a continuing test of whether a pan-African ecommerce model can overcome fragmented logistics, payment preferences, low average order values and the cost of operating across multiple markets.

The company remained loss-making in 2025, but revenue and gross merchandise value increased, operating cash use improved and management continued to target adjusted EBITDA breakeven and positive cash flow in the fourth quarter of 2026. Its experience demonstrates that

a strong customer need may coexist with exceptionally difficult delivery economics—and that business-model adaptation can take years. [10]

WHAT A STRONG PROBLEM DOES-AND DOES NOT-TELL US

A strong problem increases the probability that:

13. customers will pay attention because the pain is already present;
14. users will change behaviour if the solution creates sufficient value;
15. the venture can demonstrate measurable economic or institutional benefit;
16. capital and support can be directed toward a meaningful opportunity rather than manufactured demand; and
17. the founder has a defensible basis for experimentation and learning.

It does not establish that:

18. the proposed solution will work;
19. the founder can execute effectively;
20. the unit economics will be attractive;
21. the regulatory or procurement environment will cooperate;
22. the business can scale beyond its initial market; or
23. the venture is ready for angel or venture-capital investment.

This distinction protects YAGBA from becoming another scoring shortcut. Its role is to establish problem truth early, so that subsequent solution, business-model and investment decisions begin from stronger evidence.

A SIX-STAGE ROADMAP FOR BUILDING THE PROBLEM ECONOMY

Moving from an Idea Economy to a Problem Economy requires more than training founders to ask better questions. It requires changes in how entrepreneurship-support organisations, investors and governments select, support and learn from ventures.

Stage	Ecosystem action	Evidence produced
1. Build problem intelligence	Identify recurring pains across sectors, communities and value chains before launching solution competitions.	Problem maps, stakeholder evidence and sector hypotheses
2. Introduce a diagnostic gate	Apply YAGBA before admission to costly incubation, acceleration or investment-readiness support.	A consistent problem definition and baseline score
3. Run validation labs	Require founders to test assumptions with affected users, customers, payers and current alternatives.	Interview evidence, observed behaviour and revised problem statements
4. Diagnose binding constraints	Determine what prevents adoption even when the problem is strong.	Constraint evidence covering price, trust, distribution, procurement and infrastructure
5. Stage support and capital	Release technical assistance and finance as evidence improves, rather than funding a complete solution too early.	Validated milestones, learning records and reduced capital exposure

Stage	Ecosystem action	Evidence produced
6. Create an ecosystem feedback loop	Aggregate anonymised diagnostic and outcome data to identify recurring market and policy failures.	Portfolio intelligence for programmes, investors and policymakers

WHAT EACH ACTOR MUST CHANGE

24. **Accelerators and entrepreneurship-support organisations.** Stop treating admission as proof that a founder has identified a valid opportunity. Use problem diagnostics before intensive support; maintain evidence logs; and permit founders to abandon or reframe weak problems without treating that learning as failure.
25. **Investors.** Use problem-strength evidence as an early screening and due-diligence input, not as an investment recommendation. Ask how the venture identified the binding constraint, who pays, what behaviour has changed and which assumptions remain untested.
26. **Governments and development partners.** Commission programmes around evidenced constraints rather than fashionable solution categories. Use aggregated diagnostic data to identify where regulation, infrastructure, standards or procurement systems suppress otherwise viable markets.
27. **Founders.** Treat the problem statement as a testable business asset. Record evidence, distinguish beneficiaries from payers, investigate current alternatives and remain willing to change the solution, or walk away, when the problem is weak.

MEASURING WHETHER THE SHIFT IS WORKING

The Problem Economy should be judged by outcomes, not by the number of diagnostics completed. Ecosystems should track indicators such as:

28. the proportion of supported ventures with documented customer and payer evidence;
29. the number of founders who responsibly reframe or discontinue weak concepts before major expenditure;
30. the time and capital required to reach a validated business model;
31. changes in problem-strength and constraint evidence over successive assessments;
32. the survival, revenue, customer-retention and financing performance of ventures admitted through the diagnostic process; and
33. recurring constraints that require institutional or policy intervention rather than another startup solution.

CONCLUSION: CHANGING WHAT THE ECOSYSTEM REWARDS

Africa does not need fewer ideas. It needs a more disciplined method for deciding which ideas deserve scarce time, talent, support and capital.

The transition from the Idea Economy to the Problem Economy begins when evidence of the problem becomes more valuable than confidence in the pitch. It deepens when founders identify the binding constraints that prevent adoption. It becomes systemic when accelerators, investors and governments use that evidence to make better allocation decisions and learn across portfolios.

YAGBA provides a common language and diagnostic starting point for that transition. It does not eliminate entrepreneurial risk, and it should never replace judgement. Its value is more

fundamental: it helps ensure that the risks worth taking are attached to problems that genuinely matter.

The future of African entrepreneurship will not be determined by how many solutions we launch, but by how rigorously we identify, understand and solve the problems capable of sustaining them.

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AUTHOR AND LICENSING NOTE

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