EAVCA
East Africa Venture Capital Association

Viva Africa Consulting

# East Africa Private Capital Policy Monitor

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# Foreword

**Christine Maina**
EAVCA CEO

It is my pleasure to present the **inaugural** edition of the **EAVCA East Africa Private Capital Policy Monitor.** This publication comes at a pivotal time for our region, as East Africa navigates a dynamic investment and regulatory landscape shaping the trajectory of private capital.

In recent years, East Africa has become one of the continent's most dynamic investment destinations, now accounting for nearly one-third of Africa's private capital deals. Startup funding into the region has more than doubled over the last five years, reflecting both entrepreneurial resilience and progressive reforms.

Policy makers are making bold strides to attract and retain capital: Tanzania has enacted a Startup Act and PE/VC regulations, Uganda has introduced Partnership Regulations, Ethiopia has launched its capital market and stock exchange, Kenya has strengthened CMA regulations alongside incentives through the Nairobi International Financial Centre (NIFC) and Special Economic Zones (SEZs), while Kigali has positioned itself as a credible fund domiciliation hub. Collectively, these efforts underscore the region's ambition to create a harmonised, investor-friendly environment.

At EAVCA, policy engagement is a continuous mandate to strengthen the foundations of East Africa's investment ecosystem. This journal reflects that commitment—capturing practitioner and partner insights, and offering a platform for shared knowledge. We extend our gratitude to all contributors for making this a true reflection of East Africa's private capital community.

As we launch this publication, we reaffirm our dedication to advancing policies that balance risk, impact, and return, and to positioning East Africa as a leading destination for private capital on the continent.

# Editor's Note

**Biancah Komora**
Research Lead, EAVCA

This journal offers insights from broad regional context, through country-specific insights, thematic challenges and innovations, to regulatory and exit strategies. The journal covers macro-to-micro context focusing on East Africa's private capital reforms and investment opportunities. It blends regional scope with in-depth country nuances, operational challenges, innovation and investor exit strategies, providing a comprehensive narrative.

Beginning with the regional overview and investment potential to set the stage, the authors discuss how we can unlock investment potential in East Africa with smart regulation and offer insights from global private capital regulation, localized to an East African context.

We then cover critical operational and market issues that impact private capital deals and growth like navigating transfer pricing and cracking the code of tax in private equity. It also looks at legal tools and strategies to mitigate transaction risk and compliance challenges in private capital deals.

The journal then follows with investment exit strategies and outlook to round off prospects for investors, where we explore exits options in East Africa's private capital space beyond the traditional exit options. and explores innovation and new trends shaping private capital in the region, including tokenisation.

The journal then looks at country-specific opportunities and developments, where authors guide us through key markets and their unique reforms and growth prospects in Ethiopia, Tanzania, and Rwanda. We then conclude with the integration of ESG considerations in private capital, that is poised to drive long-term value creation and sustainable growth.

We invite you to engage with the insights in this edition. For future editions, we would welcome your perspectives as we continue to forge a stronger, connected voice for the East African private capital community.

We extend our sincere gratitude to our partners at **Viva Africa Consulting LLP** who collaborated with us on this publication and have tirelessly worked to make this journal a reality.

Special thanks to the team of private capital professionals whose insights have greatly enriched this inaugural issue of the EAVCA East Africa Private Capital Policy Monitor: Amicorp, Bowmans, Cliffe Dekker Hofmeyr (CDH) Kenya, Clifford Chance, Deloitte, IKM (DLA Piper), Jersey Finance, Kigali International Financial Centre (KIFC), TLG Capital, Warioba Ventures, Webber Wentzel and ALN Kenya, and Zuri Advisors (Ethiopia).

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# Introductory Note

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## Foundations for the Future: Private Capital and Forward-Thinking Policy

The last few years have been marked by interesting developments in the private capital landscape in East Africa. As participants in the private capital ecosystem, we experience the need to navigate through unprecedented political change, rapid technological developments and evolving social dynamics.

Indeed, private capital in East Africa has been shaped by a confluence of global and regional developments. The global investment landscape has shifted significantly over the past few years, with East Africa feeling the effects of rising and, more recently, easing interest rates in developed markets. The initial global monetary tightening phase redirected capital toward safer assets, reducing fund flows into emerging markets, while currency volatility further complicated deals in East Africa. At the same time, geopolitical tensions have disrupted global supply chains, increased energy and food prices, and heightened investor caution across frontier markets. In this evolving context, private capital is increasingly being assessed not just on financial metrics, but also on its environmental, social, and governance (ESG) performance.

At a regional level, political transitions in various East African countries have brought shifts in economic orientation and regulatory enforcement thereby creating both opportunities and new uncertainties. The region has also seen rapid digital transformation that has created opportunities in sectors like fintech, logistics, and e-commerce, creating the need for regulatory readiness in our frameworks for data governance and cross-border digital transactions. At the same time, fund structures and cross-border transactions have come under increasing scrutiny which highlights the need for more transparency, clear regulatory guidance and consistency in policy formulation. Certainly, we will require policies that are responsive to emerging economic realities, harmonized across jurisdictions, and designed in close partnership with investors, entrepreneurs, and regulators.

Amidst these crosscurrents, private capital in East Africa has remained remarkably resilient and has continued to support innovation, finance scalable enterprises and strengthen market ecosystems. However, resilience is not enough to unlock the region's investment potential. Forward-thinking policy will be critical not only to de-risk private capital flows but also to create an environment that is conducive for long-term, sustainable growth.

Against this backdrop, we are pleased to launch the inaugural edition of the EAVCA Policy Monitor in collaboration with EAVCA. This is a platform to explore policy developments across the region that shape and support the environment for private capital growth in East Africa. In this edition, we also explore insights from other markets which offer lessons that can inform practical, forward-looking policy formulation.

# Shaping the Future of Private Capital in East Africa: A Call for Smart Regulation

**Amanda Kabagambe**

Chairperson,
EAVCA Uganda Chapter

East Africa's private equity and venture capital (PEVC) ecosystem is on the cusp of transformation. With growing interest from global and local investors, we have a unique opportunity to shape a regulatory environment that fosters innovation, protects stakeholders, and unlocks long-term capital.

Yet, this opportunity comes with challenges—fragmented policies, inconsistent standards, and market dynamics that threaten to stall progress.

To move forward, our region must embrace clarity, consistency, and collaboration in its regulatory approach.

## Why Regulation Matters Now

The 2020 amendment to Kenya's Capital Markets Act empowered the CMA to license and regulate PEVC funds that access "public funds." This shift signals increased oversight, but also raises critical questions: What constitutes public funds? How can regulation protect investors without discouraging fund managers?

The stakes are high, yet local capital participation remains minimal.

By the end of 2024, African pension funds held over $700 billion Assets Under Management. Kenyan pension funds allocate just 0.07% of their assets to PEVC, despite being allowed up to 10%. NSSF in Uganda, which is the largest public pension fund in East Africa has not allocated more than 1% of their 5% allowable allocation to alternative investments.

**$700billion**

Assets held under management by African pension funds by the end of 2024

With growing interest from local limited partners (LPs), the regulatory environment must evolve to build trust and unlock domestic capital.

## The Case for Regulatory Clarity and Standardisation


Across East Africa, PEVC regulation remains uneven. While Uganda has introduced bold tax exemptions for CMA-licensed PEVC funds—encouraging local domiciliation and foreign capital—our neighbours lag due to regulatory instability or bureaucratic inertia.

Kenya's CMA is developing a framework to regulate funds accessing "public funds," but ambiguity around this term continues to create uncertainty.

Without standardised definitions, licensing protocols, and investor classifications, cross-border fundraising and operations remain complex. A harmonised approach would:

- Reduce regulatory arbitrage
- Enhance investor confidence
- Enable regional capital flows

## Formal Recognition: Protecting Investors and Deterring Bad Actors

Investors—especially local LPs like pension funds—need assurance that fund managers are credible and compliant. Formal recognition and clear distinctions between fund types and investor categories are essential. This not only boosts LP confidence but also deters unqualified actors from misrepresenting themselves and misleading the public.

Adopting ILPA governance standards and codifying minimum disclosure requirements can provide a light-touch yet effective framework for investor protection. Overall, it is important to maintain a do no harm approach to maintain the existing momentum in the industry.

## Passporting: A Strategic Ask for Locally Based Offshore GPs

The region mostly offers de facto recognition of offshore fund managers, but lacks formal passporting provisions. This creates uncertainty and limits the ability of locally based GPs—often domiciled in Mauritius or equivalent jurisdictions to engage with local investors.

Regulators should formalise passporting for GPs from well-regulated jurisdictions. This would:

- Streamline compliance
- Expand the pool of credible fund managers
- Facilitate cross-border investment

## High Bond Yields: A Hidden Threat to PEVC Growth

East Africa's bond markets have seen rising yields averaging at 10% to 15%, drawing retail investors toward fixed-income instruments. While this may seem like a rational flight to safety, it poses a challenge for PEVC funds. Retail investors, who are often closest to the business models PEVC funds support are shifting away from alternative investments.

This trend underscores the need for investor education, regulatory support, and market incentives to ensure that capital flows to high-impact ventures, not just government debt.

## EAVCA's Role: From Advocate to Self-Regulatory Organisation (SRO)

As the region's leading industry body, EAVCA is well-positioned to evolve into a Self-Regulatory Organisation (SRO). This would allow it to:

- Set ethical and operational standards
- Monitor compliance among members
- Serve as a bridge between industry and regulators

While concerns exist around enforcement and impartiality, a mature SRO model—focused on guidance and capacity building—could complement formal regulation and accelerate industry growth.

## Regulation: A Double-Edged Sword

Greater regulation brings both opportunities and risks. Poorly designed frameworks can stifle innovation, deter fund managers, and slow capital mobilisation. But principled, predictable, and pragmatic regulation can lay the foundation for a thriving PEVC ecosystem.

The path forward must be collaborative, informed by global best practices and tailored to East Africa's unique context.

## Conclusion: A Call to Action

East Africa stands at an inflection point. To unlock the full potential of private capital, regulators, industry bodies, and investors must work together to build a cohesive, transparent, and growth-oriented regulatory environment. Let us move from fragmentation to integration, from ambiguity to clarity, and from potential to performance.

# Global Standards, Local Context: Insights from Global Private Capital Regulation for East Africa


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East Africa's private capital markets are growing rapidly. According to the Stears-EAVCA Q2 2025 report, the region now accounts for 31% of all private capital transactions across Africa. Kenya leads, representing 63% of East Africa's deal volume, with Tanzania and Uganda following, particularly in high-growth sectors such as consumer goods, commercial e-mobility, and structured debt instruments.

Despite the growing contribution of the region's capital markets to continental deal volume, there is an immense opportunity in East Africa to unlock further capital for alternative asset investment, particularly the significant amounts of local capital currently held by pension funds, insurance companies, savings and credit cooperatives and other pools of local capital which are typically invested in government securities and immovable property. It is understood, for example, that in Kenya less than 0.1% of pension capital is currently allocated to alternative assets despite the law permitting an allocation of up to 10%. At the heart of this opportunity is the need to instil investor confidence in alternative assets by providing appropriate regulatory oversight while at the same time maintaining the flexibility that allows efficient capital allocation.

This article draws some lessons from global models, particularly those developed in the United Kingdom, European Union, and United States, which highlight the importance of balancing regulatory oversight with flexibility to create market growth. However, any adoption of these frameworks must of course be carefully tailored to local realities and market dynamics.

## Regulatory Evolution in Developed Markets: Balancing Oversight with Market Growth

Across developed markets private markets have continued to grow rapidly in comparison to their public counterparts, and this upward trajectory has invited greater private capital regulation, which seeks to balance fostering innovation and ensuring robust oversight. In both the UK and the EU, the governance of private funds has matured into a sophisticated regulatory architecture aimed at enhancing market integrity and investor protection.

Central to this evolution is the Alternative Investment Fund Managers Directive (AIFMD), alongside its UK-derived counterpart post-Brexit. These frameworks impose rigorous obligations on fund managers, encompassing disclosure requirements, governance standards, notification protocols, and restrictions on asset stripping. Their overarching aim is to increase transparency, strengthen accountability, and align fund operations with broader financial stability objectives. Importantly, these rules are not merely procedural; they are strategically crafted to curb excessive risk-taking, discourage short-term value extraction, and promote long-term shareholder engagement. By mandating rigorous reporting and reinforcing fiduciary duties, the AIFMD regime seeks to ensure that private funds play a constructive role in corporate stewardship and sustainable economic development.

Recognising that regulation must be strategic rather than static, both jurisdictions are currently re-evaluating the proportionality of their regimes. In the UK, the Financial Conduct Authority and HM Treasury are proposing a tiered framework for fund managers based on net asset value, with regulatory requirements scaled accordingly. This approach is designed to ease compliance burdens for smaller managers, reduce cliff-edge effects, and better align oversight with actual risk. Meanwhile, the EU's AIFMD II introduces new requirements for credit and loan-originating funds, aiming to strengthen oversight and promote greater transparency, while remaining mindful of the need to avoid excessive regulatory burdens that could hinder market competitiveness.

A similar refocus is unfolding in the US, though with a distinct emphasis. There, the regulatory debate centres on the definition of investor accreditation, a regime that has traditionally relied on wealth thresholds, thereby excluding more than 80% of households from participating in private markets, using wealth as a proxy for financial sophistication. In recent years, a growing movement has advocated for increased access to alternative investment opportunities. Recent reforms have broadened eligibility to include non-financial criteria, such as professional certifications. The U.S. Securities and Exchange Commission (SEC) has acknowledged concerns about the current model, suggesting that it may unjustly restrict access and reinforce wealth disparities. This reflects a growing recognition that financial sophistication cannot be measured by income alone.

Taken together, these developments demonstrate that, despite differing regulatory priorities and approaches, developed markets are converging around a common principle: regulation must evolve in tandem with the private capital sector's growth and complexity. Whether through enhancing proportionality, broadening market access, or reinforcing transparency and oversight, policymakers are seeking to ensure that regulatory frameworks remain responsive and effective. Ultimately, the challenge and opportunity lie in striking the right balance between fostering innovation, safeguarding investors, and upholding market integrity in an increasingly dynamic financial landscape.

## Sustainability and ESG: The Next Regulatory Frontier?

The EU's Sustainable Finance Disclosure Regulation (SFDR) mandates transparency on Environmental, Social, and Governance (ESG) objectives for all financial market participants, including non-EU managers marketing funds within the EU. The forthcoming SFDR 2.0 revision is expected to introduce stricter product classifications, mandatory sustainability criteria, and standardised disclosures to address greenwashing and inconsistent application.

In the UK, the Sustainable Disclosure Requirements (SDR) pursue similar goals but apply only to UK-domiciled funds. SDR introduces four voluntary sustainability labels: Focus, Improvers, Impact, and Mixed Goals. These labels help investors distinguish between fund strategies and reduce misleading claims.

In the US, ESG regulation is fragmented, with fund managers navigating federal, state, and market-driven expectations. At the federal level, ESG remains politically debated, with certain withdrawn disclosure rules reflecting differing views. State-level approaches vary widely: some jurisdictions mandate ESG integration, while others have enacted restrictions. This patchwork creates complexity but could also drive innovation, as fund managers adapt to varied investor demands and emerging risks.

## Looking Ahead: Global Lessons, Local Context

East Africa's private capital market stands at a defining moment. The region's accelerating growth and rising share of continental deal activity highlight a maturing ecosystem. Moreover, burgeoning domestic savings point to a large opportunity for growth in alternative assets investing. While global frameworks offer valuable examples, their true relevance lies not in replication but in reflection. By selectively drawing from international experience and aligning regulatory approaches with local realities, East Africa can craft an environment that supports innovation and attracts long-term private capital investment.


# Breaking Boundaries: Cracking the Code of Tax and Private Equity in Eastern Africa


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Private equity is no longer a niche player, it has gone global, and Africa is quickly becoming a hotspot. Despite shaky international politics and a patchwork of legal systems, the continent continues to deliver attractive returns. But investing in Africa is not a one-size-fits all. With no advanced unified economy and unique rules in each country, every deal needs a fresh blueprint.

In this article, we break down the key tax building blocks that shape private equity transactions in Kenya and South Africa. Using South Africa and Kenya as case studies, we explore how tax systems compare, and what investors need to know to navigate this complex but rewarding landscape.

## Corporate and Restructuring Relief

A natural starting point to any private equity transaction should consider whether a jurisdiction offers any intra-group restructuring and rollover relief provisions. Private equity funds and target companies can leverage off these rules to create attractive, tax efficient and investable structures.

South Africa offers a suite of rollover provisions, known as the "Corporate Rules". These rules let groups simplify complex holding-company structures without triggering immediate tax consequences. By transferring interests or assets among group members and rolling over the tax base, you can streamline your portfolio, carve out operating subsidiaries for a clean exit, or make room for new investors, all while preserving historic base cost of assets.

Kenya does not offer a direct equivalent but provides capital gains tax and stamp duty exemptions for group restructurings in certain cases. However, asset rebasing is restricted if a tax-free transfer is followed by a taxable one within five years. While more limited, strategic use of these reliefs can still reduce transaction costs and improve deal efficiency.

## Permanent Establishment

Many private equity investment vehicles in South Africa are structured as en commandite partnerships, a form of limited partnership recognised under South African common law. These vehicles are popular among fund managers due to their ability to pool investor capital efficiently while limiting investor liability. However, the tax treatment of such partnerships depends heavily on how each jurisdiction interprets the concept of "permanent establishment".

South African law recognises the

notion of passive limited partners. In this way, limited partners who do not participate in the management or operations of the partnership do not create a "permanent establishment" in South Africa merely by investing. This means that foreign investors are not dragged into South Africa's income tax net, provided that they remain passive.

Kenya does not offer a similar "permanent establishment" carve-out. Under Kenyan law, if a partnership operates in Kenya through a fixed place of business or a dependent agent, the entire vehicle may be treated as having a permanent establishment. This triggers local tax obligations, and transfer pricing rules are used to determine how much income should be taxed in Kenya. As a result, private equity sponsors in Kenya often prefer to use corporate entities or regulated investment schemes to avoid unintentionally exposing foreign investors to Kenyan tax.

## Interest deductibility

A key feature of private equity transactions is the use of debt to finance acquisitions. However, the tax treatment of this debt varies across jurisdictions and can significantly impact deal structuring. In both South Africa and Kenya, the deductibility of interest hinges on whether the debt is considered "productive", that is, directly linked to income-generating activities.

In South Africa, private equity investors generally structure an entry into an operating company through a special purpose vehicle that borrows funds to acquire a target's shares. However, debt that is raised in this way is regarded as unproductive, and the borrower generally cannot claim a tax deduction on the interest expense. To address this, sponsors often employ debt pushdown mechanisms, such as refinancing or internal restructuring, to shift the debt into the operating company, where it becomes productive and interest deductions are allowed.

Kenya follows the same principle: interest incurred on borrowings to buy shares is not tax deductible. To unlock productive debt, dealmakers in Kenya transfer debt into the target operating company through refinancing arrangements. This allows the interest to be treated as a deductible expense. Kenya also caps interest deductions on related-party loans at 30% of EBITDA, with excess amounts carried forward for up to three years. This makes heavy debt financing challenging, often requiring a balanced mix of debt and equity.

## Tax treaty networks

Double Taxation Agreements (DTAs), play a pivotal role in shaping cross-border private equity transactions. These treaties aim to prevent the same income from being taxed in both the investor's home country and the target jurisdiction, thereby reducing tax friction and encouraging foreign investment. This is clearly advantageous to private equity investors.

South Africa has an extensive network of DTAs. These treaties typically reduce withholding tax rates on dividends, interest, and royalties, and provide clarity on permanent establishment rules. In the context of private equity transactions, investors can leverage off South Africa's numerous DTA's to tailor capital structures which make the most efficient use of reduced withholding tax rates.

In comparison, Kenya has relatively few DTAs. In addition, local rules restrict treaty access where more than 50% of a foreign company's ownership is held by non-residents—unless the company is publicly listed. This makes efficient capital structuring more complex and instead investors may opt to maximise their use of EPZ/SEZ entities to achieve similar economic outcomes.

## Conclusion

Africa's private equity landscape is rich with potential, but navigating each jurisdiction's tax law requires precision, creativity, and local insight. From corporate restructuring reliefs to permanent establishment rules, interest deductibility, and treaty protections, each jurisdiction presents its own puzzle pieces. South Africa and Kenya offer different but unique opportunities which underscore the need for tailored structuring advice on how to navigate the legal and tax framework.

As the continent continues to attract global capital, those who crack the code, leveraging legal and tax efficiencies without compromising compliance, will be best positioned to unlock long-term value.

# Structuring for Growth: Navigating Transfer Pricing

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Transfer pricing is emerging as a defining issue for investors in Kenya and across Africa. As capital flows into tech driven sectors, tax authorities are becoming increasingly alert to cross border structures particularly those that involve intangible assets such as intellectual property (IP) and that shift value to low tax jurisdictions. For investors, this means transfer pricing can no longer be treated as a compliance matter. It must be addressed early in the deal process as a strategic lever to protect returns, support clean exits, and navigate a more demanding tax audit environment.

## Introduction

Kenya's economy has quickly matured into a vibrant destination for private equity and venture capital, drawing USD 3.3 Billion in investment between 2019 and 2024[1], 84% of all the funds raised in East Africa. Kenya's combination of strong technology infrastructure, mobile-first consumers, and a deepening entrepreneurial culture, particularly in fintech, healthtech, and agritech, has positioned it as a natural gateway for regional digital growth.

**$3.3billion**

Private Equity and Venture Capital Investment in Kenya between 2019 and 2024

**84%**

Kenya's share of the funds raised in East Africa

As capital flows into the sector, investors continue to rely on relatively simple holding company models, often incorporating in jurisdictions such as Mauritius or Delaware, among others, to hold intangible assets and centralise financial flows. While this architecture has enabled global scalability and investor protection, it is now drawing scrutiny from tax authorities.

## Transfer Pricing Emerging as a Strategic Concern

Tax authorities across East Africa, and particularly in Kenya, are paying closer attention to how value is created and where profits are reported. Transfer pricing, once seen as a compliance matter, has emerged as a critical concern for fund managers, founders, and deal teams. It is a live issue at entry, during growth, and especially at exit where valuation, audit exposure, and legacy tax positions often come under the greatest scrutiny.

Many high-growth Kenyan startups receive foreign funding structured through offshore special purpose vehicles (SPVs), commonly domiciled in low-tax jurisdictions such as Mauritius. A common feature of such arrangements is the transfer of intellectual property (IP) developed locally to the offshore SPV, with the Kenyan entity subsequently paying royalties for its use. Additionally, companies often price royalties using simple formulas such as a fixed percentage of turnover. While reasonable, these allocations may appear arbitrary if not backed by documentation that explains the basis of the charges and demonstrates the benefit received by the Kenyan entity.

For the Kenya Revenue Authority (KRA), this raises fair questions. How should royalties be priced? And more broadly, are the profits from local value creation taxed fairly?

Moreover, cross-border transactions involving management services, shared infrastructure, and intercompany financing may arise.

These are not theoretical concerns. Tax authorities have begun to interrogate these arrangements more frequently, particularly in sectors where intangible assets drive value. There is a clear policy direction toward greater alignment between profit realization and substance of the transactions in question.

## Deal Structuring and Exit Valuation Exposure

For investors, the implications are significant. Tax friction can erode value at multiple points in the deal lifecycle. For instance, inaccurately priced intangible asset transfers may attract retroactive assessments or litigation. Additionally, inappropriately priced royalties, if not adequately substantiated may be denied altogether.

This is particularly relevant at exit. Numerous successful startups and growth-stage companies are often acquired by larger foreign funds or taken public in offshore jurisdictions. As due diligence becomes more rigorous, legacy tax positions taken at entry can surface as liabilities and affect valuation. For this reason, fund managers should take transfer pricing considerations into account in deal structuring conversations, not only for compliance, but as a risk management tool.

## Practical Considerations for Investors

Forward looking investors should integrate transfer pricing considerations into their deal structuring process. Rather than treating it as a compliance checkbox, transfer pricing should be considered from the outset, starting at the term sheet and structuring stage and continuing through to the due diligence stage, where tax positions are closely examined and tested. This early focus helps ensure that the chosen structure can withstand scrutiny and avoid the risk of liabilities crystallizing in future. Key areas of attention include clearly documenting IP arrangements, outlining who developed the asset, how it was financed, and where it will be commercially exploited.

Further, in Kenya, the recently introduced Advance Pricing Agreements (APAs) offer a route to reduce future disputes. An APA is a contract, usually for multiple years, between a taxpayer and the tax authority specifying the pricing method and pricing that the taxpayer will apply to its related-company transactions. While Kenya's regime currently supports only unilateral agreements, there is the possibility of future expansion into bilateral and multilateral APAs. This could be especially helpful where portfolio companies operate in multiple jurisdictions across the region. APAs can bring certainty to key pricing elements such as royalties, management fees, and intercompany financing.

At the regulatory level, Kenya has shown intent to strengthen capacity, but expertise in valuing intangibles and assessing digital business models remains limited. This creates both risk and opportunity. Investors who proactively engage with the KRA and provide clear, well-reasoned TP documentation are likely to fare better than those who rely on opaque structures or generic documentation.

## Regional Perspective

Many investors apply regional strategies. As similar tax challenges emerge in jurisdictions such as Uganda, Rwanda, and Tanzania, the need for regional coordination of transfer pricing mandates will grow. Transfer pricing is becoming a strategic regulatory focus across East Africa, and this will affect fund managers with cross-border portfolios.

Investors who develop consistent, principle-based approaches to transfer pricing are better equipped to manage regional complexity, avoid duplication, and respond to increased regulatory expectations. From a reputational perspective, tax alignment also sends a strong signal to stakeholders that investment returns are not dependent on tax arbitrage but on sound commercial fundamentals.

## Conclusion

Kenya, and East Africa more broadly, is at an inflection point as its transfer pricing landscape continues to evolve rapidly. For investors, transfer pricing should be a critical component of the value creation strategy.

As the region's regulatory framework matures, those who integrate tax alignment into their investment approach will be better positioned to manage downside risk, maintain investor confidence, and achieve cleaner exits. In today's transparent investment climate, tax alignment is not simply good governance—it's good business.

# Exploring Exits Options in East Africa's Private Capital Space beyond the traditional exit options

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Private equity and venture capital funds are, undoubtedly, one of the most significant providers of capital for businesses not only in the region but also globally. Private equity's inaugural entry into the East African region was slightly over 25 years ago.

According to the East Africa Venture Capital Association (EAVCA), private equity and venture capital investments can be viewed as having occurred in the East African region in three waves, namely:

- the first funds entered in the late 1990s to the mid - 2000s
- the second and largest wave – with more freshman funds, in the mid-2010s and
- the latest wave just before the Covid-19 pandemic primarily second and follow-on funds with a smaller proportion of freshman funds.

Indeed, the private equity industry in East Africa has witnessed significant growth since its introduction in the region. It has become a reliable source of investment, innovation and expansion capital for many businesses in the region including those that may not readily be able to access debt capital. On its own, this achievement merits celebration.

However, it is not possible to discuss investments in isolation. Private equity and venture capital investments would typically have a life cycle dictated by the organizational and other governing documents of the relevant fund. The expected endgame of an investment life cycle is the return to the investor of both the initial capital invested by it in the portfolio entity and a decent financial return from such an investment. Therefore, for the debate to be complete and the assessment of the private equity asset class to be properly undertaken (particularly from the investors' point of view) one would need to consider the performance of investments versus exits.

Based on a general overview of the industry, it is widely acknowledged that the performance of exits in the industry has not been great. However, it is expected that in the coming years, barring any unforeseen complications particularly triggered by macro-economic factors, several successful exits are likely to occur. This optimistic forecast is informed by several factors, including; the fact that the industry is now fairly mature, a better awareness and understanding of the sector by entrepreneurs who are now ready to embrace the rotational attributes associated with private equity investments, a number of investments approaching their investment horizon, availability of significant private capital particularly from local pension funds and their willingness to explore alternative investment opportunities, saturation of investments in traditional asset classes such as government securities and listed corporate bonds.

In this note, we examine some of the options that can be considered by investors and entrepreneurs with a view to optimising exits in the industry. Over time the exit options that have been applied in the region with mixed success include trade sales, secondary sales and management buyouts. Globally, initial public offer (IPO) is considered a traditional exit option. However, in this region this option has not been successfully applied due to, among others, the complex listing process and illiquidity of the local stock markets.

Considering the above, the question then becomes what other options can be explored? We look at some of them below.

### Share buyback

In Kenya, the Companies Act, 2015 introduced a new exit option in the form of share buybacks. It allows companies (both public and private companies) to buy their own shares, subject to compliance with certain requirements and procedural formalities. This presents an alternative exit opportunity for investors at the end of their investment horizon or under a forced exit. If a portfolio company and/or its sponsors contravenes certain fundamental terms of investment such as

- breaching anti-bribery and anti-money laundering laws; and
- breach of environmental and social governance principles, an investor may trigger an exit by requiring the company to buy back its shares.

In addition, if at the end of its investment horizon, an investor has no other realistic exit option, it may also consider exercising an exit through a share buyback. However, it is advisable to note that for this option to work, the exit can only be financed out of either

- distributable profits of the portfolio entity or
- proceeds of a new issue.

Accordingly, if none of these are available, then exit through this option may not be feasible. That said, a private company, may, subject to any restriction or prohibition in its articles of association finance a share buyback out of capital. The process of financing an exit out of capital is somewhat complex compared to financing out of distributable reserves.

### Redemption of Shares

In many respects, this option is not new. It is substantially like the buyback option. For it to be applied, the constitutional documents of the company must allow for redemption of shares. If such documents do not provide for redemption, then they need to be amended accordingly. In addition, the terms of issue should provide that the relevant shares are redeemable either at the option of the company or of the holder (as agreed between the parties). Like share buyback, redemption of shares should be financed from either

- distributable reserves or
- proceeds of a new issue made for that purpose.

### Growth Enterprise Market Segment

As mentioned above, although IPOs are considered a traditional exit option, this has not been applied in the region due to, among others, the complexity of listing securities in the available regional securities exchanges. Thankfully, the Nairobi Securities Exchange (NSE), with the approval of the Capital Markets Authority introduced the Growth Enterprise Market Segment (GEMS) to react to the challenge of complex listing requirements associated with the other market segments on the NSE. The GEMS is a platform that provides small and medium-sized enterprises (SMEs) with access to the NSE with more favourable listing requirements. Several prerequisites applicable to other market segments on the NSE are not applicable for the GEMS market. These include elimination of the need for reliability of financial records, the need to demonstrate a profitability track record, dividend policy and relaxing the requirement for a prescribed level of minimum net assets. In addition, the applicable capital for an entity to be listed on the GEMS is KES 10 million compared to KES 50 million for the main investment market segment and the net assets requirement for the GEMS is zero compared to KES 100 million for the main investment market segment.

Therefore, this option allows an entity to commence its listing journey on the NSE and hopefully provide an opportunity for a private equity or venture capital investor to eventually exit from the portfolio entity through the NSE.

# Tokenisation: Unlocking Africa's Private Equity Potential

**Faizal Bhana**

Director, Middle East, Africa and India, Jersey Finance

Adaptability has long been a key skill for managers in the global alternative funds space. In recent years, volatile market conditions, shifting investor appetite, regulatory change and geopolitics have all required fund managers – including those in Africa – to demonstrate that they are adept at adjusting their sails.

But change has, by and large, been incremental, rather than seismic. Now, the established norms in the private equity sector are being challenged like never before – on multiple fronts and at pace.

The concept of tokenisation is at the heart of this shift and looks set to play an increasingly important role in shaping the future of the African private equity landscape. It's something that is explored at a global level in a report recently published by Jersey Finance, which makes the case for tokenisation transforming the private equity and wider alternative funds space over the coming years.

Within the African market, the impact of tokenisation on fund managers and more widely across the economy is set to be significant. If managers act now, then there are some exciting opportunities on the horizon.

## Fundraising

Managers globally will testify that asset raising is no longer as straightforward as it once was. After 15 years of growth, many private equity managers are facing more challenging conditions than they are accustomed to.

This environment has prompted many managers, including those in Africa, to diversify away from their traditional institutional investor base and look to new audiences – including family offices and the broader high-net worth market, who remain under-allocated to the sector.

Globally, for instance, individual investors control approximately 50% of the $295tn in global AUM (Bain's Global Private Equity Report, 2024) - yet account for only 16% of AUM managed by alternative investment managers. However, 53% plan to raise their allocations to the alternatives sector over the next three years.

There is clear mutual benefit for managers and investors here – on the one hand, many private asset managers are needing to diversify their investor base away from their traditional reliance on large institutional investors; on the other, there is a growing desire amongst high-net worth investors to increase their allocations to private market assets.

There are challenges to this. Accessing alternatives can be opaque, cumbersome and costly. In addition, there is a reliance on advisors and relationships to source deals, and there can be challenging minimum investment levels for private and family office investors.

## The tokenisation solution

The rise of blockchain technology and tokenisation seeks to provide a solution to this, enabling managers to access a broader investor base.

The application of tokenisation in an African private equity context can bring multiple benefits – and Africa has a good digital infrastructure in place to make the most of that opportunity, with digital finance exploding in Africa in recent years, so that there are now 1.1 billion registered mobile-money accounts (more than half the world's total), according to Frank Mwiti, CEO of the Nairobi Securities Exchange (NSE).

First and foremost, it can help to break down existing barriers for both managers in Africa looking to broaden their investor base, and investors looking to tap into African asset manager products.

Breaking down assets into tokenised units enables fractional ownership so investors can participate in asset ownership and gain exposure to markets that were previously inaccessible. This can offer improved liquidity, enhanced transparency and control over allocations, increased economic efficiency by lowering transaction costs, more streamlined asset management, and enhanced market liquidity.

This is particularly significant in high-value investments such as real estate, private equity and infrastructure. Real assets backed by blockchain technology, for example, can be securely traded, tracked and owned, and can greatly aid liquidity and transparency, whilst also substantially reducing minimum investment levels.

Last year, for example, the private school network Die MOS Inisiatief raised R100 million through a 10-year floating-rate bond issued on Mesh.trade's blockchain platform. Significantly, more than 65% of that R100 million came from retail investors. In fact, the minimum subscription for that bond was only R5,000, opening access to very broad investor base – it's an example of how tokenised solutions are already being implemented in Africa to support investment in large infrastructure projects.

More widely and long-term, by democratising access to investment opportunities, tokenisation can unlock new funding opportunities, contribute to enhanced financial inclusion and wealth distribution, and encourage economic growth and stability, which is critical to Africa's sustainable growth prospects.

Enabling investors, both local and international, to participate in African fund strategies through tokenisation can provide much-needed capital to fuel the expansion plans of African businesses and provide a much-needed boost to African infrastructure development.

Hurdles still exist - regulatory uncertainty is still perceived to be a major obstacle, for example, with EY Parthenon research suggesting that 24% of high-net worth investors identify regulatory uncertainty as a significant challenge.

Nevertheless, tokenisation stands to make a significant impact on Africa's private markets landscape. Total tokenised market capitalisation is forecast to reach around $2 trillion by 2030 (McKinsey, 2024), for instance, giving some indication of the scale of opportunity.

And the signs in Africa specifically are good - a report by PwC highlights that the tokenisation market in Africa is expected to reach US$100 billion by the end of this year, whilst the African Development Bank has launched a US$10 million fund to support the development of blockchain and tokenisation projects in Africa.

## Reconfigure

The rise of tokenisation within the alternatives landscape means that, over the coming years, African fund managers will be able to bring new products to new investor markets like never before.

Domiciles like Jersey are ready to support this transition, providing the certainty, digital environment and progressive regulatory frameworks African managers need to meet investor needs. For its part, Jersey has a strong track-record in hosting vibrant and respected digital assets businesses over several years.

The Island's world-class digital infrastructure, pragmatic approach to regulation and its broad range of corporate vehicles has been critical to this growth – and last year the jurisdiction's financial services regulator published updated guidance on the tokenisation of real-world assets and ICOs, providing further clarity for market participants and asserting Jersey's forward-looking stance in this area.

The ramifications for managers are clear – they must ensure they are ahead of the curve in having the right tools, skills and strategy to seize the opportunities this new era can offer. Tokenisation has the capacity to unlock African's private equity potential – and at the midpoint of this decade, the outlook for the African private equity sector has never looked more promising.

# Mitigating Transaction Risk and Compliance Challenges in Emerging Markets: Legal Tools and Strategies in East African Private Deals


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## Introduction

East Africa's private capital landscape has experienced remarkable growth, with EAVCA's 10-Year Impact Report highlighting significant investment activity in terms of deal values, comprising approximately USD 5.1 billion in private equity and USD 5.5 billion in venture capital investment over the past decade. Yet, beneath these headline figures lies a complex environment where deal success hinges on the ability to anticipate, manage and mitigate a unique set of risks as set out in the 2024 Deloitte Africa Private Equity Confidence Survey.

**$5.1billion**

Private Equity investment over the last decade

**$5.5billion**

Venture Capital Investmentment over the last decade

Drawing on our experiences in transactions across Africa, this article explores practical legal strategies and tested solutions for navigating the region's regulatory and commercial challenges.

## Information Asymmetry: Bridging the gap with Due Diligence

Key to any private equity transaction is the ability to establish the root title and corporate standing of the entity involved and adherence to the requisite regulatory framework. This is achieved through conducting thorough due diligence on the target company's financial health, market position, management team, operations, legal standing, and industry trends.

In our experience, it is frequently the case that for informally structured, smaller or long-established businesses and particularly in family-owned businesses seeking to raise capital or secure funding from investors, a lack of formal records and a clear corporate governance structure is a challenge which leads investors to seek to be overly compensated via contractual means i.e. indemnities and warranties. The consequences of a company giving into these concessions can be material.

It is advisable therefore that prior to entering any transaction, companies conduct a legal audit to ensure compliance with the applicable laws and to look to close any easily remedied information gaps ahead of the due diligence process. This, combined with the integration of technology and AI tools and by implementing regulatory change tracking systems, compliance monitoring dashboards and automated risk alert mechanisms ensures continuous regulatory adherence. This approach has proven effective in minimising post-completion surprises and facilitating more accurate risk pricing. While it is of the times to speak about AI tools and their impact on the investment space, it is really in the simplification of every day work processes that AI can shine.

## Valuation Complexities and Currency Risk Management

The African Private Capital Association (AVCA) 2022 Report on Currency Risk Management Practices in African Private Equity and Venture Capital Report highlighted that foreign exchange volatility and foreign currency shortages are some of the biggest challenges facing private equity investors in Africa, although reporting more than three years ago – this has not changed. The survey by AVCA further revealed that while currency risk is a crucial concern throughout the investment process, its impact is most pronounced for both fund managers and limited partners during the portfolio exit phase.

To navigate the currency risk, we advise that parties across various transactions deploy multi-methodology valuation approaches combining discounted cash flow with regional risk adjustments, market multiples with emerging market premiums and asset-based validation methods. Where appropriate, we recommend forward contracts for known cash flows and inclusion of completion account adjustments to reflect currency movements between signing and closing.

## Competition Law Complexity

The presence of multiple competition authorities across East Africa creates complex multi-jurisdictional filing requirements with varying thresholds, assessment criteria and procedural requirements. For instance, a merger involving parties operating in Tanzania and the COMESA member states requires separate filings with both the Tanzania Fair Competition Commission (FCC) and the COMESA Competition Commission (CCC).

To navigate this challenge, parties can execute simultaneous filings to align review timelines. For instance, CCC and the Competition Authority of Kenya (CAK) entered into an arrangement whereby CCC has become a one stop shop for merger filings, ensuring that mergers involving at least two member states and have met the turnover thresholds are only required to be filed with the CCC. Lobbying and advocacy through organisations such as EAVCA is encouraged to ensure that regulatory authorities are informed of the challenges they face, and to collaboratively propose strategies and policy approaches aimed at enhancing the efficiency of regulatory processes. It is not yet known for example what the impact of the East Africa Community Competition Authority will be and whether the potential superfecta of the FCC, COMESA, CAK and EAC will dissuade investors from looking at East Africa for potential investment opportunities.

## Sectoral Regulation Navigation

Sector-specific restrictions, such as foreign ownership caps in telecommunications and banking, limitation of ownership of agricultural land by foreigners in Kenya demand creative structuring. Local partnership requirements and beneficial ownership disclosure obligations add additional complexity to private equity transactions. Such sector-specific transactions require navigation of complex regulatory frameworks covering licensing and sector-specific compliance obligations that vary significantly across jurisdictions. It is again for bodies such as the EAVCA to work with the private sector and regulators to ensure that early engagement with sector regulators and clear documentation of compliance pathways are established to secure timely approvals.

## Data Protection Compliance

Data protection legislation across the region, including Kenya's Data Protection Act Cap. 411C and similar legislation in other jurisdictions creates new compliance requirements. Cross-border data transfer restrictions and data localisation requirements may significantly impact transaction structuring and ongoing operations. A robust compliance strategy includes thorough data mapping, cross-border transfer tools and standardised processing agreements to ensure regulatory compliance. Regular audits and staff training help clients avoid penalties and maintain smooth operations.

## Tax Optimisation and Compliance

Enhanced transfer pricing regulations and the implementation of emerging digital services taxation requirements are increasingly limiting traditional tax optimisation strategies. These developments are creating new and more complex compliance obligations across multiple jurisdictions, particularly with the introduction of new taxes such as significant economic presence taxes on digital services, digital asset taxes and excise duties on virtual assets. Parties should therefore undertake comprehensive multi-jurisdictional tax analysis to optimise efficiency, ensure full regulatory compliance, and mitigate potential tax authority audit or dispute risks.

## Conclusion

East African private capital markets present significant opportunities for sophisticated investors implementing comprehensive risk management frameworks. Success in private equity deals and venture capital deals is no longer pegged on deploying capital but also building resilient ecosystems around it. Through sophisticated legal tools, enhanced due diligence and coordinated compliance strategies, stakeholders can effectively navigate regional challenges whilst supporting sustainable economic development across East Africa.


# Unlocking Investment Potential in East Africa with Tailored Strategies

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**Tim Gicharu**

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Over the past five years, East Africa has emerged as one of the continent's most promising frontiers for private capital. A combination of demographic momentum, urbanization, and digital innovation has propelled the region into the spotlight for private equity (PE), venture capital (VC), and family offices. Yet, despite the region's potential, investors continue to navigate a landscape marked by structural inefficiencies, macroeconomic volatility, and regulatory disparities.

To unlock the full value of East Africa's growth story, investors must adopt customized strategies that account for the region's complexity, while leveraging the ecosystem-building support of experienced partners.

## A Region of Contrasts: Market Maturity vs. Growing Pains

East Africa is far from homogenous. Markets such as Kenya and Rwanda demonstrate increasing ecosystem maturity, marked by robust fintech, agri-tech, and digital infrastructure. Kenya has seen successful exits through strategic acquisitions, often by global corporates. This has enhanced investor confidence and reinforced Nairobi's reputation as a regional hub for innovation and capital. Meanwhile, markets like Tanzania, Uganda, and Ethiopia are still developing the institutional foundations necessary to support scale-ready enterprises.

A limited pipeline of investor-ready companies, particularly at the growth stage, remains a core challenge. SMEs in the region often lack the governance, financial reporting standards, and scalable models that PE and VC investors require. As a result, due diligence processes take longer, and investment risks are heightened.

## Exits, Currency Risks, and Operational Challenges

Adding to the complexity are restricted exit options due to shallow capital markets and infrequent secondary transactions. While trade sales remain the primary exit path in less mature markets, longer holding periods can affect fund liquidity and dampen returns.

Private capital thrives on predictability, but in East Africa, shifting tax regimes, licensing changes, and currency volatility often introduce layers of operational and financial risk. Ethiopia's restrictive capital controls, for instance, limit profit repatriation and currency convertibility, deterring foreign investments.

Kenya's shilling, though more stable than others in the region, remains vulnerable to election cycles and external shocks. Sudan and Ethiopia have faced severer currency depreciation, complicating valuation models and return forecasting for dollar-denominated funds.

## Policy Reforms and Infrastructure Drive New Optimism

On a more positive note, countries like Rwanda have become models of transparency and regulatory efficiency, actively attracting capital with progressive reforms and investor-friendly legislation. Across the region, infrastructure investments, including energy, transport, and digital connectivity, are improving operating conditions and expanding market access for portfolio companies.

The region's political leadership is gradually embracing the structural reforms needed to catalyze private investment. The East African Community (EAC) Common Market Protocol, along with the broader African

Continental Free Trade Area (AfCFTA), has laid the foundation for reduced trade barriers and larger addressable markets.

Legal reforms around corporate governance, land tenure, and securities regulation are also improving market transparency and investor protections, which are critical for boosting confidence.

In parallel, tax incentives, export processing zones, and regulatory sandboxes are being introduced to support sector-specific growth. Particularly noteworthy is the rise of fintech and digital health platforms, which have attracted investor interest across the region. These tech-driven solutions address critical service gaps and align with ESG imperatives and sustainability-focused capital.

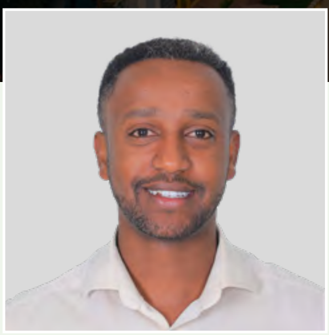
Despite structural headwinds, the East African investment story remains compelling. But success requires more than capital, it requires precision structuring, regulatory insight, and regional fluency.

## The Path Ahead: Investing with Precision and Purpose

The convergence of digital innovation, demographic expansion, and policy liberalization positions East Africa as a strategic growth market for private capital. From agri-tech and renewable energy to healthcare and education, scalable and high-impact investment opportunities thrive.

However, capturing this potential requires more than optimism. It demands a nuanced understanding of local dynamics, a long-term investment horizon, and partnerships that bridge gaps in capability, governance, and regulatory navigation.

# Ethiopia One Year On: Valuing Exits in the Post-Liberalization Era



**Yoseph Getachew**

Partner, Zuri Capital

For decades, the story of private capital in Ethiopia was one of immense potential constrained by significant structural barriers. The government's landmark foreign exchange liberalization in July 2024, a cornerstone of its Homegrown Economic Reform Agenda, marked the dawn of a new era for investment and fundamentally rewrote that narrative. However, one year on, the initial euphoria has yielded to a sober analysis of a complex economic reality, compounded by domestic peace and security risks. The primary question for investors has evolved from a simple binary of "Can we get our money out?" to a more nuanced calculation of "What will our money be worth, and how secure is the environment in which we operate?". The administrative hurdles of the past have been replaced by the dynamic, market-driven risks of the present.

## The New Economic Architecture: A Partially Open Door

The move to a market-determined exchange rate, while solving the primary repatriation blockage, introduced new, complex variables. Crucially, this liberalization has been carefully contained. While Ethiopia liberalized its current account to facilitate trade in goods and services, the capital account, which governs investment flows, remains firmly restricted. This policy of partial liberalization is a deliberate choice to prevent capital flight and maintain control over scarce foreign reserves, but it exists within a context of severe and structural Balance of Payments (BoP) pressure that defines the nation's economic landscape.

The core problem is a persistent current account deficit, projected by the World Bank at -3.2% of GDP for FY2025. This stems from a vulnerable export base, heavily reliant on agricultural commodities like coffee, oilseeds, and flowers, pitted against a high import bill for essentials like fuel, pharmaceuticals, and capital goods. While personal remittances from the diaspora and service revenues from Ethiopian Airlines provide a vital forex lifeline, they are insufficient to close the structural gap. This deficit has historically been financed by external borrowing, leading to an unsustainable debt load that culminated in a default on its Eurobond in late 2023, pushing the country into "debt distress".

Consequently, with commercial financing choked off, the government has pivoted inward. Its 2025/26 budget relies heavily on domestic borrowing to finance the deficit, a necessary but potentially inflationary strategy. The weight of past obligations is stark: debt servicing is now the single largest expenditure, consuming 24% of the national budget, crowding out spending in other critical areas. The direct result of this BoP pressure is a chronic forex crisis, which fuels the persistent 20-25% spread between the official and parallel market exchange rates and creates a major operational hurdle for businesses.

## Systemic Friction: The On-the-Ground Realities

Beyond these macroeconomic pressures, investors still grapple with deep-seated systemic hurdles that predate the recent reforms. The liberalization of currency does not erase the stifling bureaucracy that can paralyze operations. Businesses continue to face significant delays in customs clearance—a critical issue for exporters of perishable goods—along with opaque processes for obtaining licenses and the inconsistent application of regulations, particularly in areas like taxation. This creates an unpredictable operating environment where costs can escalate unexpectedly and long-term planning is fraught with uncertainty. These chronic, on-the-ground frictions directly impact a company's performance and valuation, independent of any financial or political risks, and require intensive, hands-on management.

## Portfolio Strategy and A New Risk Calculation

Amidst these challenges, portfolio strategy must become more sophisticated. A critical approach is to focus on export-oriented sectors to generate hard-currency revenues, creating a natural hedge against Birr devaluation. However, this requires careful selection. The most resilient strategies will target value-add exports—such as processed foods, finished textiles, or technology services—which are less exposed to raw commodity price shocks and capture more value domestically.

For General and Limited Partners, this environment demands a holistic risk assessment where financial volatility and operational instability are intertwined. A successful 3x exit in ETB terms can quickly become a 1.5x return in USD if the currency halves in value. That return is further jeopardized if a company's distribution network is compromised by regional instability or its supply chain is stalled by the bureaucratic hurdles. Due diligence must now expand beyond financial statements to include robust analysis of geopolitical trends, security forecasts, and other on-the-ground threats, placing a new premium on sophisticated political risk analysis.

## The Path Forward

With forex liberalization achieved, the investment community's advocacy mandate must pivot. Collective efforts should focus on two critical areas:

- **Fostering Stability and Rule of Law:** This extends beyond macroeconomic management to promoting a secure operating environment where contracts are sacred and regulations are applied transparently. Without this foundation, investment remains speculative.
- **Deepening the Ethiopian Securities Exchange (ESX):** The ESX is a vital piece of market infrastructure, essential for providing a clear exit path for private equity and mobilizing domestic institutional capital. Advocacy must now focus on practicalities like clear listing rules, developing market-making capabilities, and promoting investor education to build a robust domestic investor base.

## Conclusion: A Test of Capability

Ethiopia's market reforms have created a new reality for investors. The administrative risk of a controlled currency regime has been replaced by the market-driven risk of devaluation, which now intersects with the country's chronic security and bureaucratic challenges. For LPs and other stakeholders, the investment thesis in Ethiopia no longer rests on market potential alone. Success, therefore, hinges on an investor's proven capacity to accurately price, navigate, and ultimately mitigate this complex matrix of risks to create real value.

# Tanzania's Moment: Building an Investable Future Through Startup and Private Capital Reforms

**Martin Warioba**
Founder and Managing Partner, Warioba Ventures

A quiet but significant transformation is underway in Tanzania - one that could redefine the country's place on Africa's investment map. Through two landmark reforms, the Tanzania Startup Act and a new regulatory framework for Private Equity and Venture Capital (PE/VC), the country is taking bold steps to unlock local entrepreneurship and attract global capital. These efforts reflect a growing ambition: to position Tanzania as the next frontier market for investors seeking early-stage and growth opportunities beyond Africa's traditional "Big Four."

## The Startup Act: Creating a Formal Launchpad for Innovation

The proposed Tanzania Startup Act is led by the Ministry of Industry and Trade and championed at the highest levels of government including, the President's Office and the Prime Minister's Office, with the intention of giving startups clear legal recognition, reduce compliance burdens and open access to procurement and investment incentives. What sets Tanzania Startup Act apart is its market-responsive, founder-first approach where Tanzania Startup Association (TSA) has played a central role in engaging policymakers and shaping the draft by directly capturing needs, pain points, and aspirations of local entrepreneurs. By formally recognizing startups, the Act reduces regulatory ambiguity, improves eligibility for early-stage funding and enables interested investors, corporate venture arms, and local capital vehicles to deploy resources with greater confidence and alignment. For global investors, this translates into a more visible, structured and de-risked pipeline of investable enterprises – an essential foundation for capital flow into a previously underpenetrated market.

## PE/VC Regulations:

## Enabling Local and Foreign Institutional Capital Flow

Running in parallel is the rollout of Tanzania's first regulatory framework for Private Equity and Venture Capital, led by the Capital Markets and Securities Authority (CMSA) and the Ministry of Finance, with technical support from FSD Tanzania. Currently the work is ongoing with global consultants on the ground to help regulators and policymakers with this initiative. It is expected that PE/VC regulatory framework will bring much-needed clarity on fund licensing, taxation, investor protections, and cross-border flows which are essential prerequisites for unlocking both local and foreign capital flow into Tanzania and across the region. Both Tanzania Fintech Association (TAFINA) and TSA have played a role in making sure the regulatory design accommodates PE/VC-enabled investment models, digital platforms, and blended capital approaches.

A cornerstone of Tanzania's reform agenda is planned establishment of the Tanzania National Venture Capital Fund – a catalytic investment vehicle that will blend government anchor capital with private and development funding to de-risk early-stage investment and empower locally focused fund managers. However, its effectiveness will depend on the strategic alignment of the broader ecosystem. The National Venture Capital Fund will be developed in parallel with its two critical enablers in Tanzania Startup Act and PE/VC regulatory framework and together these instruments create the foundation for disciplined capital formation and targeted deployment.

## The Long Game: Coordination, Execution, and Trust

These reforms are bold, but their success depends on long-term coordination and disciplined execution. This is not a quick policy fix - it's the beginning of a complex journey requiring alignment across government ministries, policymakers, regulators, DFIs, local and foreign investors, tax authorities, and ecosystem builders. Execution must be agile, inclusive, and grounded in the realities of entrepreneurs, local economies and capital providers alike. Importantly, adjacent policies in taxation, trade, digital economy, and procurement must evolve in lockstep to ensure startups and fund managers operate in a coherent, investment-ready environment.

While local organizations, such as TSA, TAFINA and many others, will continue to play a crucial role in ensuring feedback loops between the public and private sectors are active and trusted, it is important for regional organizations like East Africa Venture Capital Association (EAVCA) and others to also engage in Tanzania's investment policy changes. As private capital activity becomes increasingly regional, there is an urgent need for regulatory dialogue, peer learning, and harmonization across East Africa. This is where EAVCA and its members can play a pivotal role by advocating for consistent standards that attract investors across jurisdictions, facilitating investor and regulatory roundtables that share cross-border experiences, supporting fund managers navigating new legal frameworks in frontier markets like Tanzania and promoting local capital mobilization to complement international flows. With these coordinated efforts, East Africa can position itself as the most investable region for blended, early-stage, and growth capital on the continent.

## Global-Ready, Locally Rooted

What makes Tanzania's approach promising is its dual orientation: it is grounded in local context but built to align with international standards. The regulatory frameworks under development are consciously designed to meet the expectations of global LPs, DFIs, and institutional investors to ensure legal clarity, risk mitigation, and transparency.

This balance, of local ownership with global compatibility, is exactly what today's capital allocators are looking for as they diversify into high-growth, underinvested markets. Tanzania's moment has arrived and with continued leadership, execution, and support from regional partners like EAVCA, it can seize this opportunity and become a cornerstone of Africa's next private capital chapter.

# Tanzania: East Africa's New Economic Powerhouse – and What This Means for Private Capital


**Michael Strain**
Managing Partner,
Bowmans Tanzania

**James Pius**
Partner, Bowmans
Tanzania


Tanzania is no longer a sleeping giant. It is now widely expected to overtake Kenya as the region's largest economy within the next decade. This transformation is being driven by a potent mix of political stability, an increased investor-friendly environment, and a wave of strategic infrastructure, energy, and extractives investment. For private capital – whether in infrastructure, M&A, or early-stage growth – Tanzania presents one of the most exciting investment landscapes on the continent today.

## From Promise to Powerhouse

Tanzania is steadily shedding its reputation for insularity and uncertainty. In its place, a bold, pragmatic new growth agenda has emerged. GDP growth has remained resilient – expected to be approx. 6% this year – with forecasts pointing to sustained expansion driven by industrialisation, regional trade, and rising consumer demand.

Crucially, Tanzania's growth story is no longer aspirational – it is structural. The country's demographic profile, abundant natural resources, and geographic location (as a regional logistics hub) are combining with improved governance and macroeconomic management to unlock new potential. According to recent World Bank and IMF estimates, Tanzania is on track to surpass Kenya in GDP terms within the next seven to ten years – a striking shift that could reposition Dar es Salaam as the commercial and investment capital of East Africa.

## The Engines of Growth: Key Sectors Powering the Transition

### Infrastructure

Tanzania's government has committed to infrastructure on an ambitious scale. The flagship Standard Gauge Railway (SGR), now fully operational between Dar es Salaam and Dodoma, will link Dar es Salaam with the country's interior and regional neighbours – most notably Rwanda, Burundi, and the DRC. Combined with new bridges, expressways, and airport expansions, this is creating a

physical foundation for long-term growth and regional integration. Infrastructure is not just enabling growth – it is shaping it.

**Logistics and Transportation**

The Port of Dar es Salaam now has multiple private sector operators and major reforms are already paying dividends. Efficiency gains, combined with the emergence of new dry ports in Mwanza, Dodoma, and Kigoma, continue to support the country's growth as a regional trade hub. The government's focus on facilitating trade corridors (notably to Zambia, Rwanda, Burundi, and eastern DRC) positions Tanzania as the regional alternative to Mombasa – particularly for bulk cargo and minerals.

Construction of the connection for the standard gauge railway directly into the port continues in earnest. Once completed this will be a real game-changer – improving efficiencies even further.

**Mining**

Tanzania's mining sector is experiencing a quiet renaissance. Long dominated by gold, the sector is now expanding rapidly into strategic and critical minerals – including graphite, nickel, and rare earths. In 2024 Perseus Mining spent USD 180 million to acquire the Nyanzaga Gold Project in Northern Tanzania. In recent weeks they announced their final investment decision to develop the project – and with total capital committed of a further USD 523 million - this is a huge statement of confidence in Tanzania.

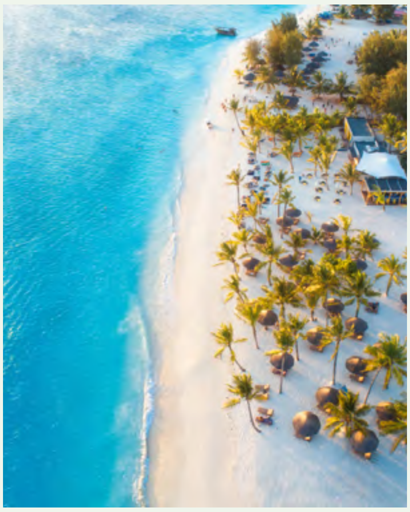
With a strong pipeline of both brownfield and greenfield deals, mining M&A is anticipated to accelerate further – particularly as global demand for battery metals increases.

**Tourism**

Tourism has roared back post-pandemic, with record visitor numbers in both mainland Tanzania and Zanzibar. The safari industry is booming, but so too is the luxury and eco-tourism segment – with a flurry of $100m+ hospitality M&A deals taking place across the islands. Zanzibar is emerging as a premium destination for global capital – blending world-class beaches with tax incentives and long leaseholds in key areas.

**Energy**

The recent commissioning of the



Julius Nyerere Hydropower Project has propelled Tanzania into energy surplus for the first time in its history. With a total of 2,115 MW added to the grid – Tanzania has more than doubled its installed generation capacity overnight. This not only enables industrial growth but should also improve the bankability of projects across the board – from manufacturing to green hydrogen.

Tanzania is now among the few African countries positioned to offer reliable, low-cost energy on a national scale. The implications for industrial investment are enormous.

## Strategic M&A: Tanzania's Next Wave

The transformation of these sectors is increasingly being driven by strategic mergers and acquisitions. Rather than speculative plays, we are seeing serious long-term investment by credible operators – a shift that reflects Tanzania's improving fundamentals.

High-profile deals – such as Perseus' mining acquisition, Adani Group's entry into port infrastructure, and a series of landmark tourism investments in Zanzibar – show the depth and diversity of opportunity. At Bowmans, we are seeing the deal ticket sizes move decisively upward. USD 100 million-plus transactions are no longer outliers – they are becoming the norm across infrastructure, energy, and tourism.

This trend is especially notable because it marks a departure from the past – when Tanzania was seen as "too small" or "too hard" for serious private capital. Today, it is increasingly being seen as too strategic to ignore.

## Policy and Regulatory Environment: Challenges and Reforms

Despite the many positive developments listed above, there is no doubt that significant challenges remain.

## Early-stage pipeline gaps

A lack of investable small mid cap companies continues to constrain deal flow. Whilst we have seen notable growth in this sector (assisted significantly by new incubators, hubs etc.) there is much to be done. As the Government continues to support early-stage companies – the provision of substantive incentives (tax holidays, exemptions from business licences etc.) would be strongly welcomed to reduce the cost of doing business and increase the likelihood of success for new small enterprises in their first few years.

## Fair Competition Commission (FCC)

The FCC's merger control regime remains extremely broad and may benefit from further streamlining and efficiency in due course (at present – all but the smallest transactions do not require clearance) – but in practice, we are seeing a much-improved attitude from the regulator. Engagement is now more practical and business-focused, and timelines have become more predictable. Continued dialogue with private sector players is helping to create a more enabling M&A environment.

## Government Engagement

Perhaps the most underappreciated shift in Tanzania is the government's changing posture towards private capital. Across sectors – but particularly in mining – we are seeing a marked increase in constructive engagement, transparency, and a genuine willingness to negotiate. The establishment of a joint investment facilitation body between the Tanzania Investment Centre (TIC) and the Export Processing Zones Authority (EPZA) is another strong signal of this evolution.

## Tax

The behaviour of the Tanzania Revenue Authority (TRA) remains a challenge– particularly when it comes to retrospective assessments and prolonged audits.

However, there is cautious optimism that the recently established Presidential Commission on Tax Reforms will result in more clarity, predictability, and investor confidence in the years ahead.

## LNG: The Game-Changer on the Horizon

No discussion of Tanzania's economic outlook would be complete without reference to the country's Liquefied natural gas (LNG) megaproject. The long-awaited Host Government Agreement (HGA) is expected to be signed imminently – unlocking an estimated USD 45 billion in investment. This will be the largest single project in the history of East Africa, with truly catalytic implications: from jobs and exports to fiscal revenue and global positioning.

The LNG project alone could elevate Tanzania into the ranks of the world's top ten LNG exporters. But perhaps more importantly, it will serve as a signal to global capital markets: that Tanzania is open for business, and capable of closing deals at the very highest level. We watch and wait in earnest.

## Conclusion: A Decade of Opportunity

Tanzania is no longer a frontier – it is the frontier. Over the next ten years, we expect to see a sustained influx of private capital across sectors, driven by real reforms, real returns, and real potential. For investors and operators alike, the message is clear: the time to enter – or expand – in Tanzania is now.

With political stability, macroeconomic strength, and a once-in-a-generation pipeline of investable opportunities, Tanzania is set to lead East Africa's next chapter. And for those ready to build, partner, or acquire – it may just be the most exciting place to do business on the continent.

# Kigali's Rise as Africa's Premier Fund Domiciliation Hub

Kigali International Financial Centre

As Africa's investment landscape evolves, the Kigali International Financial Centre (KIFC) is positioning itself as a modern gateway for channelling global capital into the continent, placing Kigali at the heart of Africa's financial transformation. At its core, KIFC's ambition is to serve as a trusted launch pad where capital can be efficiently mobilised, structured, and deployed across key sectors on the continent that drive inclusive growth.

In the evolving landscape of private capital across East Africa, the Kigali International Financial Centre (KIFC) is redefining how jurisdictions position themselves to attract and retain investment vehicles. At a time when regulatory uncertainty and tax complexity have sent fund managers scouring the globe for stability and efficiency, Rwanda has positioned itself as a beacon of reform, offering a stable, transparent environment capable of accommodating the reconfiguration of offshore fund structures and exploring new exit pathways for investors.

## Regulatory Agility Meets Global Standards

KIFC's regulatory framework offers fund managers and investors a high degree of flexibility and control, with a broad range of structuring options tailored to diverse financial needs. These include holding companies (Hold Cos), special purpose vehicles (SPVs), unit trusts and partnership schemes. The framework also supports estate planning and wealth management through structures such as family offices, trusts, and private foundations.

Investors benefit from proactive regulators; the Capital Market Authority (CMA), the National Bank of Rwanda (BNR), and the Rwanda Development Board (RDB), committed to fast, predictable licensing timelines. To reinforce this enabling environment, Rwanda has enacted a suite of progressive laws and guidelines aligned with international best practices. These include the Partnership Law, the Collective Investment Schemes (CIS) Law, the Trust Law, the Anti-Money Laundering and Counter-Terrorism Financing Law, and Guidelines on the Issuance of Green, Social, Sustainability, and other Labelled (GSS+) Bonds in Capital Markets.

Notably, under these sustainability guidelines, the Development Bank of Rwanda (BRD) successfully issued two tranches of a Sustainability-Linked Bond (SLB), which were oversubscribed by 110% and 130% respectively, reflecting strong investor confidence.

Together, these legal instruments provide fund managers with a robust and adaptable framework for structuring investment vehicles, further strengthening Kigali's position as a competitive and credible domicile of choice.

Rwanda's overall business environment further strengthens this agility. In the inaugural **World Bank B-READY 2024** report, which assesses the quality of business regulation and public service delivery across 54 countries, Rwanda ranked as the top-performing country in Sub-Saharan Africa. It achieved globally competitive scores, ranked 3rd in Operational Efficiency, and according to the **World Justice Project's Rule of Law Index,** Rwanda ranked **1st in Sub-Saharan Africa for rule of law,** reflecting the country's strong institutional and legal frameworks.

Its investor-friendly ecosystem is supported by simplified business registration procedures and a visa regime that allows easy access for nationals from over 100 countries, including members of the African Union, Commonwealth, and Francophonie. Rwanda also offers a streamlined and efficient process for obtaining work permits, making it easy for companies to attract and retain global talent.

## Kigali's Fiscal Framework: Designed for Investor Confidence

KIFC's success stems from its intentional architecture. Rwanda offers one of the continent's most attractive fiscal environments for fund domiciliation. Rwanda offers a transparent tax regime aligned with OECD and FATF standards, reinforcing investor confidence.

- Eligible investors benefit from reduced corporate income tax rates ranging from 3% to 15% and zero withholding tax on passive income, subject to the level of economic substance demonstrated in the country.
- No taxation on capital gains.
- Approved general partner and limited partner structures are tax transparent.
- Unrestricted profit repatriation, removing exit friction for foreign investors.
- A total of 18 Double Taxation Avoidance Agreements (DTAAs), 11 of which were ratified over a period of 2 years, demonstrating KIFC's ambition. These include Luxembourg, China, Angola, among others.

This fiscal clarity has proven attractive for global and regional investors increasingly wary of complex or shifting offshore regimes.

## Kigali's Strength as a Domicile: KIFC's Success Story

KIFC's appeal is evidenced by its ability to attract high-impact vehicles that reflect investor confidence. Among them are:

Virunga Africa Fund I, a $280 million pan-African investment fund managed by Admaius Capital targeting inclusive growth, is domiciled in Kigali to leverage tax efficiency and regional accessibility. The fund's largest investors are the Qatar Investment Authority and the Rwanda Social Security Board (RSSB). The participation of RSSB as a co-investor signals not only the presence but also the ability and willingness of local institutional investors to partner with funds domiciled in Kigali, reinforcing confidence in Rwanda's investment climate and the credibility of its financial ecosystem.

FEDA (Fund for Export Development in Africa): Afreximbank's strategic investment arm, domiciled under KIFC, to mobilise capital for industrialisation across the continent. The Fund invests in a variety of sectors such as infrastructure, manufacturing, financial services, agribusiness, technology, as well as ancillary trade-enabling infrastructure such as industrial parks.

Enko Capital, a prominent pan-African fund manager with a presence in key financial markets such as Abidjan and London, has also chosen to structure through KIFC, underscoring the confidence of established African fund managers in Kigali as a domicile for multi-asset, cross-border investment vehicles.

KIFC has attracted leading global fund service providers such as Apex and DTOS to establish a presence in Kigali. These firms bring deep expertise in fund administration, corporate services, compliance, fund accounting, trustee services, investor reporting and structuring support. Their presence enhances investor confidence and enables funds like FEDA to structure through KIFC, assured of access to world-class support in fund structuring and administration.

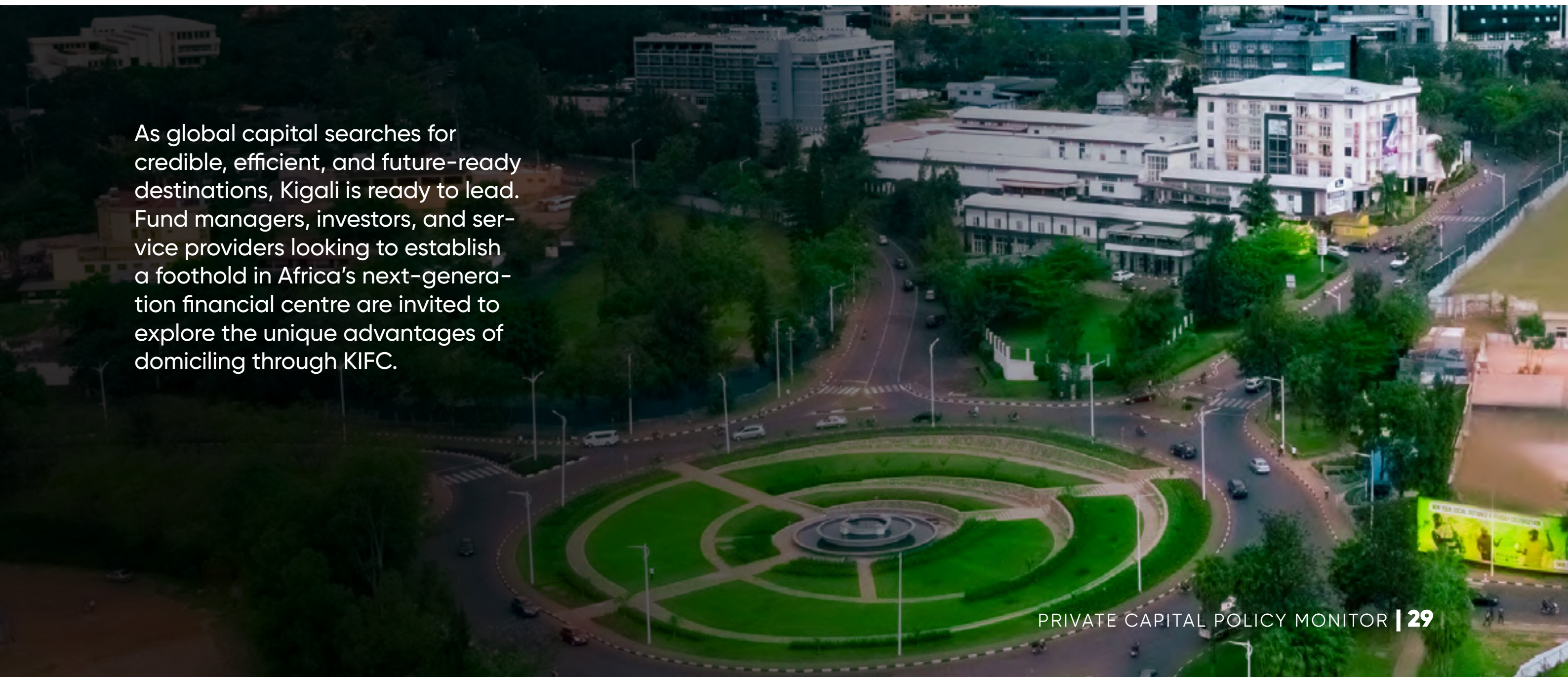
Beyond fund managers and service providers, e**cosystem platforms such as Digital Network Africa (DNA) and the African Business Angel Network (ABAN)** have also selected KIFC as a hub for deploying capital into early and growth-stage innovations across the continent.

## Kigali's Competitive Edge

According to the Fund Domiciliation Maturity Diagnostic Tool (FDMDT) developed in partnership with Samawati Capital, Stafford Law, and Momentus Global, Kigali consistently scores 8–10 across:

- **Regulatory Environment:** Clear licensing, tax transparency, and convertible currency.
- **Judiciary Framework:** Accessible arbitration, legal expertise, enforceable contracts.
- **Operational Efficiency:** Digitisation, professional services, regulatory responsiveness.
- **Enabling Environment:** Political stability, infrastructure & ease of setup.

Kigali's clear reform agenda, coupled with its investor-centric execution strategy, places it at the forefront of Africa's next-generation financial centres. Fund domiciliation is no longer just about operational convenience; it's a statement of institutional trust, governance alignment, and strategic intent. Kigali International Financial Centre has positioned itself not merely as an alternative to traditional offshore jurisdictions, but as a primary gateway for capital seeking impact, transparency, and efficiency.



As global capital searches for credible, efficient, and future-ready destinations, Kigali is ready to lead. Fund managers, investors, and service providers looking to establish a foothold in Africa's next-generation financial centre are invited to explore the unique advantages of domiciling through KIFC.

# The Intersection of Accounting, Finance and Sustainability: Implications for Private Capital and Private Equity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Environmental, Social, and Governance (ESG) integration within the private equity ecosystem has gradually evolved from a narrowly focused ethical concern into a mainstream investment approach, especially with growing attention from institutional investors. Increasingly, investors, regulators, and stakeholders are demanding that private equity (PE) firms go beyond financial performance to consider the broader impact of their investments on society and the environment. Consequently, this has affected the private equity landscape in relation to how opportunities are evaluated, the structure of transactions and the engagement with portfolio companies.  This shift underscores the growing recognition of ESG factors as critical components in determining the financial viability and long-term success of investments.

The screening process of target companies during an investment cycle has traditionally been dominated by financial metrics, such as revenue growth rate, EBITDA multiples and return on investment; this has since evolved to include comprehensive ESG assessment and due diligence aspects. Enhanced due diligence practices now encompass environmental policies, social impacts, and governance structures, ensuring that potential investments align with the investor's sustainability objectives. As investors increasingly recognise the long-term value and reduced risk associated with ESG-compliant companies, high ESG-performing companies can command premium valuations; in contrast, inadequate practices might lead to discounts or even abandonment of deals.

Moreover, ESG integration for PE firms manifests through incorporating ESG-related covenants in deal agreements. Common ESG-related covenants include requirements for the target company to provide periodic ESG reports guided by sustainability standards, comply with applicable environmental and social regulations, conduct periodic ESG assessments during the term of investment and use funds for green or socially responsible purposes. Such covenants can facilitate smoother exits, especially for deals that have ESG-linked pricing where their sustainability performance is financially material, and for companies with performance-linked targets which would influence valuation adjustments. Incorporating ESG-related covenants in deal agreements ensures alignment between capital use, sustainability goals and responsible investment policies. This shift underscores the growing recognition of ESG factors as critical components in determining the financial viability and long-term success of investments.

Beyond financial viability and in relation to alignment with investor and stakeholder expectations, integrating ESG during a portfolio company holding period fosters trust and enhances the reputation of both the PE firms and their portfolio companies. PE firms do more than provide capital; they act as strategic partners to their portfolio companies, and strategic guidance by PE firms is a key differentiator in enhancing sustainable practices to position companies for a high-value exit. Such strategies include supporting the integration of ESG into a portfolio company's business model from supply chain to operations and guiding their portfolio companies to comply with ESG-related regulations, including obtaining certifications and ratings, which is not only critical for avoiding fines and penalties but also building a reputable brand. Ultimately, such initiatives could prove invaluable for increasing investor confidence and maximising a portfolio company's brand value, which aids in negotiating for higher multiples during the exit phase.

Apart from integrating ESG into screening processes, engaging with portfolio companies, and conducting valuations, PE firms can explore other transformative strategies through impact investing. This strategy targets measurable environmental and social impacts alongside financial returns, offering a comprehensive, holistic approach. Unlike traditional responsible investing strategies that focus on negative screening or divestment, impact investing involves actively investing in funds, projects, and enterprises that deliver inclusive outcomes. These investments aim for financial returns accompanied by measurable social and environmental impact, allowing firms to transition from simple strategies like due diligence and exclusion screening to more sophisticated and impactful investment approaches.

Unlike public markets, where ESG integration is more mature, private markets present unique challenges and opportunities for ESG integration. PE firms operating in the East African market face a mix of structural, operational and data-related challenges that limit the full integration of ESG within their portfolio and target companies. Inconsistent ESG standards and limited ESG data availability among non-listed companies, especially when conducting target company screening, leads to comparability issues and incomplete data, thus making it difficult to standardise ESG assessments across different target companies. This lack of comparability and incomplete data can hinder the ability to make informed investment decisions, benchmark performance and potentially expose firms to ESG-related risks.

Despite these challenges, there are strategic opportunities with local regulations evolving with the adoption and localisation of global ESG frameworks tailored for the PE and investment ecosystem. For PE firms, ensuring that their portfolio and target companies align with global ESG frameworks is no longer a peripheral issue; it is becoming a strategic imperative to ensure the companies remain committed to sustainable practices. Significant progress has been made in East Africa to localise global sustainability frameworks and initiatives for companies. Among the most significant are the IFC Performance Standards on Environmental and Social Sustainability, the ESG Data Convergence Initiative (EDCI), and the UN Principles for Responsible Investment (PRI). These standards and frameworks enable companies to measure and communicate the impact of their investments in quantifiable terms, thus positioning themselves for long-term success as they navigate the complexities of balancing financial performance with societal and environmental impact.

Looking ahead, the integration of ESG considerations in private equity is poised to drive long-term value creation and sustainable growth. As ESG factors continue to gain prominence, they will undoubtedly shape the future of the private equity industry, foster innovation and encouraging firms to adopt more sustainable investment strategies.

PRIVATE CAPITAL POLICY MONITOR

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