



APRIL 2026

# Private Capital Activity in **East Africa**

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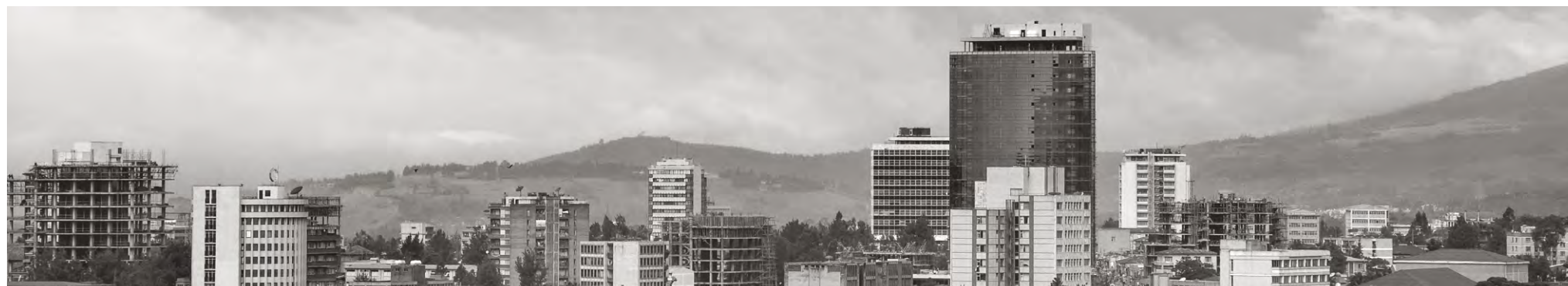
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## Near-Term Investment Outlook

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# East Africa: Private Capital at a Glance

Over the past five years, East Africa's private capital market has entered a new phase of scale and maturity, emerging as one of Africa's most dynamic investment regions underpinned by solid macro growth fundamentals. Capital deployment has more than doubled, supported by a broadened opportunity set spanning Financials, Agriculture and Clean Energy, alongside the growing structural role of private debt and a maturing venture ecosystem. Investor activity is

extending into frontier geographies and niche sectors, while exit momentum is building through improved distribution visibility, compressing time-to-exit, an increasingly international buyer base and greater use of liquidity innovation. However, ongoing FX sensitivity and political cycles continue to shape execution outcomes, reinforcing the centrality of discipline in converting market momentum into realised returns.

## Key Highlights

### Market Momentum

1

#### A market that has decisively scaled

East Africa attracted US\$4.1bn across nearly 500 deals between 2021 and 2025, with both volume and value more than doubling since 2022. Annual transactions rose to an average of 108 deals per year, while annual investment averaged US\$0.7bn, both reflecting deeper pipeline and larger cheques across Climate-Infrastructure, Fintech and Agribusiness. In 2025, this momentum accelerated: total deal value surged 75% year-on-year to US\$1.2bn, positioning East Africa as the continent's second-largest market by value.

### Shifts in Capital Allocation

2

#### Private debt is redefining the region's capital structure

Private debt has emerged as a defining feature of East Africa's capital structure, with the region accounting for 36% of Africa's total private debt transactions, following a 30% YoY surge in deal volume in 2025. Growth is anchored in Agribusiness and Fintech, with private debt offering dependable, currency-aligned cash yields in a volatile FX environment.

**3****Venture capital remains dominant, but more disciplined**

As a market still largely shaped by earlier-stage financing, venture capital leads East Africa's private capital landscape, accounting for 60% of total transaction volume over the past three years. Following the 2022 peak, venture capital in East Africa has reoriented around sounder valuations and more disciplined deployment across Financials and Information Technology, the core engines.

**4****Investor conviction is deepening in Kenya and extending into frontier markets**

Repeat investors have driven 24% of total transactions over the past two years, signalling strong market conviction in East Africa. Kenya remains the dominant entry point, attracting the bulk of returning capital with 61% of deal volume and 87% of total deal value in 2025, underpinned by the depth of its fintech sector. Yet investor confidence is extending structurally across the region as returning capital extends into frontier markets. Uganda, the region's second most active destination, saw deal activity rise 1.4x in 2025, contributing 14% to regional deal volume. Rwanda, Ethiopia and Tanzania are emerging as additional frontier destinations, each with distinct investment profiles.

**Realisation and Liquidity****5****Exit momentum is building as holding periods shorten**

East Africa ranks fourth in Africa by private capital exit volume, but leads the continent by exit growth. 35 exits were recorded between 2021 and 2025, demonstrating a 26% CAGR. Average time-to-exit of 6.2 years sits below the continental benchmark of 6.8 years and is compressing, with nearly 40% of exits in 2024-2025 carrying holding periods below four years. Private debt is clearing at 4.1 years while venture capital time-to-exit fell to 3.5 years in 2025.

**6****Buyer depth and exit routes are diversifying**

Trade buyers account for nearly 60% of exits over 2021-2025, the highest share on the continent, and international acquirers now represent 60% of the buyer base in 2025. Secondary buyouts surpassed trade buyers as the leading route in 2025, accounting for 33% of exits while MBOs have grown over the last two years, representing 11% of exits.

**7****Liquidity remains concentrated, but exit pathways are broadening**

Consumer Staples and Financials led regional liquidity at 26% and 23% respectively, while a maturing pipeline of Consumer Discretionary and Healthcare companies accounted for close to 30% of exits. Geographically, exit opportunities are concentrated in Kenya and Uganda but slowly broadening to Ethiopia and Rwanda.



## Key Opportunities and Risks

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### **Strong fundamentals support growth, but macro sensitivity shapes outcomes**

East Africa enters 2026 as one of the world's fastest-growing regions, with GDP projected at close to 6% across 2026-2027. Resilient domestic demand, rapid urbanisation and expanding innovation-driven markets sustain deal flow. Yet investment outcomes remain highly sensitive to FX volatility, uneven debt sustainability and political cycles, factors that continue to shape valuation discipline, structuring approaches and the pacing of capital deployment.

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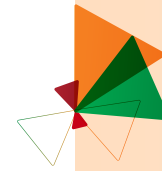
### **Reform momentum is improving market depth, albeit unevenly**

Capital market reforms and FX liberalisation in Kenya, Ethiopia and Tanzania are improving governance, entry visibility and exit execution, while reducing longstanding investment constraints. At the regional level, integration efforts are gradually reducing transaction costs and improving deal execution efficiency. The reform trajectory is positive, but uneven implementation, tax fragmentation and FX restrictions across member states remain binding constraints on fund structuring and capital repatriation.

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### **Structural demand is concentrating capital in four sectors**

Financials, Agriculture, Energy and Mobility anchor deal activity, each addressing deep structural gaps. Financials captured 23% of deals and 30% of capital over five years supported by Kenya's Fintech ecosystem. Agriculture is second by volume at 17%, though modest ticket sizes have kept its value share at 5%, a gap increasingly filled by private debt and Uganda. Clean Energy attracted the second-largest share of capital by value at 19% despite just 6% of deal volume, with investment shifting toward distributed off-grid models. Electric mobility and Healthcare are gaining traction as a niche but growing theme across the region.



## Outlook

East Africa's near-term outlook is one of deepening capital deployment and improving distribution visibility. Converting opportunity into realised returns will hinge on execution discipline. Financials, Agriculture and Clean Energy will continue defining deployment over the next 12 months, the former offering the clearest combination of deal flow depth and exit visibility, with private debt continuing to anchor dealmaking in Agribusiness while Clean Energy drives value trends. Electric Mobility, Logistics and Healthcare represent niche but credible opportunities. Kenya remains the region's core market, with Uganda, Tanzania, Rwanda and Ethiopia offering differentiated frontier exposure. Across all markets, fund managers who combine FX discipline, sector focus and structuring rigour will be best positioned to capture East Africa's expanding opportunity set over the next 12 to 18 months.

# Macroeconomic Environment

## Structural Growth Drivers

### Strong Fundamentals Support Growth, While Macro Sensitivity Persists

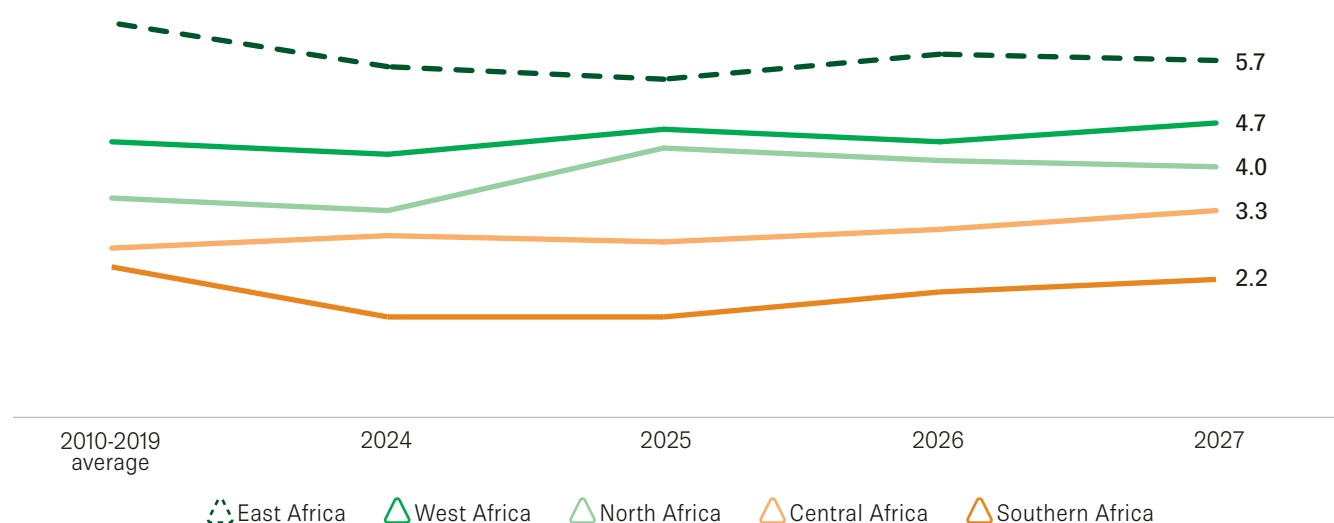
East Africa enters 2026 as one of the world's fastest-growing regions, underpinned by resilient domestic demand, rapid urbanisation and the expansion of innovation-driven markets. Regional GDP is projected to grow close to 6% over 2026–2027<sup>1</sup>, with Ethiopia, Uganda and Rwanda among the strongest performers globally. Urbanisation is reshaping consumption and market depth, with the population expected to rise from 191 million in 2025 to 335 million by 2050<sup>2</sup>. This expansion is broadening addressable markets, improving the scalability of consumer industries, and creating deeper opportunities across digital infrastructure, logistics and energy access. These structural trends

are directly enhancing the breadth, depth and durability of East Africa's private capital pipeline.

For private capital investors, these fundamentals translate into sustained deal flow and increasingly scalable portfolio opportunities. GPs benefit from stronger platform potential and clearer pathways for regional expansion, while LPs gain improved visibility across multi-vintage deployment. Yet investment outcomes remain highly sensitive to FX volatility, uneven debt sustainability, logistics bottlenecks and political cycles, factors that continue to shape valuation discipline, structuring approaches, exit timing and the pacing of capital deployment.

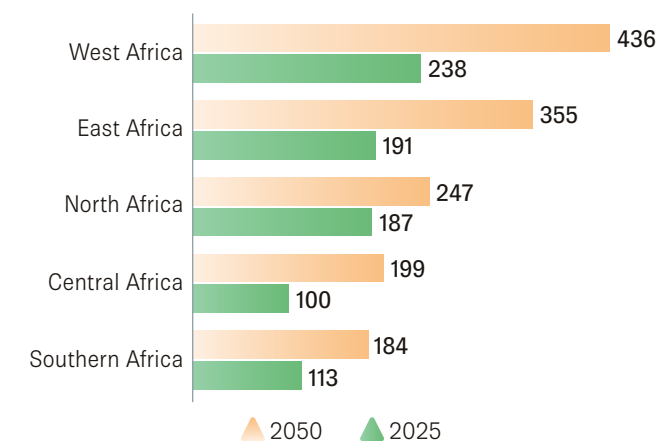


Figure 1: Evolution of Real GDP Growth (%YoY) in Africa, by Region



Source: UN, AVCA

Figure 2: African Urban Population (millions), by Region



Source: OECD, AVCA

## Demographics and Urbanisation Expand Sector Depth and Deal Flow

Building on these strong macro fundamentals, rising consumer demand continues to anchor East Africa's private capital landscape. Higher incomes, rapid urbanisation and broader financial inclusion are sustaining demand across financial services, consumer goods, healthcare, education and logistics. Rising demand is also driving new waves of industrialisation, increasing the region's need for reliable and extensible energy solutions.

Accelerating digital adoption further expands market access and strengthens scalability, particularly across payments, lending and digital commerce.

This momentum is translating into a more investable opportunity set by accelerating the shift from fragmented, informal businesses to scalable, formalised enterprises. In parallel, digital adoption, particularly via fintech and e-commerce,

is improving revenue visibility and enabling firms to expand beyond local markets. As a result, the pool of mid-sized, investment-ready companies is expanding across financial services, logistics, healthcare and digital commerce, strengthening deal flow and enabling larger, buy-and-build investment strategies. These dynamics reinforce East Africa's position as one of the continent's most investable markets.

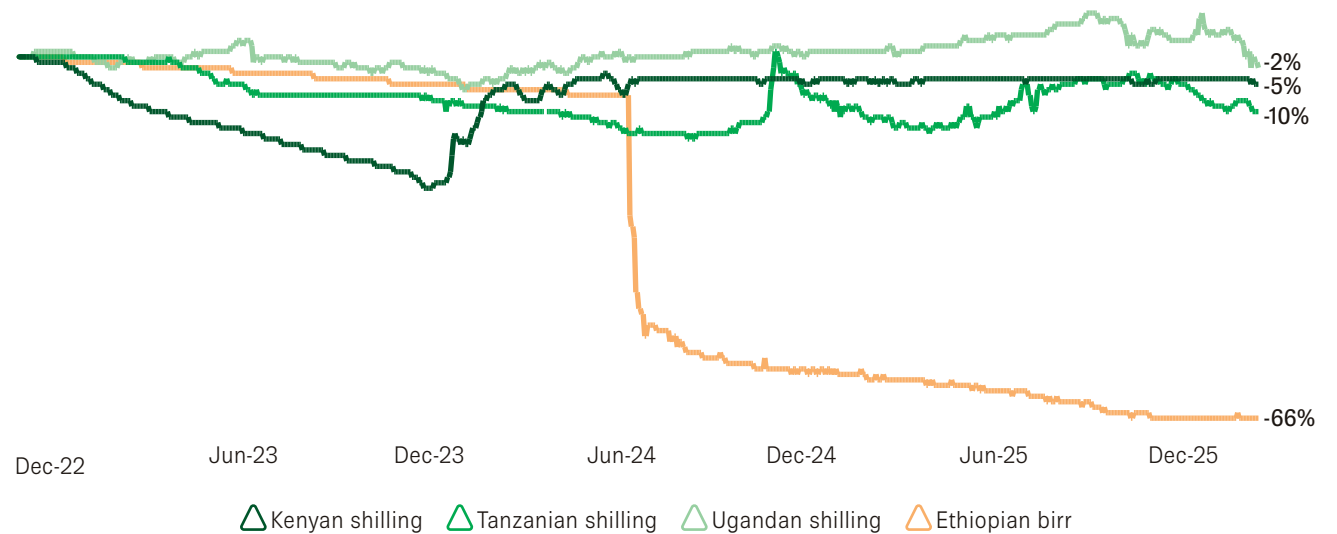
## Macroeconomic Constraints and Risks

### Currency Volatility Emerges as the Primary Constraint

FX remains the most influential macro variable shaping valuations, returns and exit feasibility in East Africa. After a brief period of stability in 2024–2025, Tanzania and Uganda have come under renewed currency pressure in early 2026, driven by global commodity shocks and persistent current account deficits. The Kenyan shilling has stabilised, and the Ethiopian birr has seen modest reprieve after its 2024 devaluation, but structural vulnerabilities persist across most markets.

Currency movements directly affect entry pricing, FX-adjusted returns, and the timing and visibility of distributions, making currency risk central to deal execution through 2026–2027. In a region where FX markets and hedging instruments remain relatively underdeveloped, GPs are progressively structuring investments in local currency, prioritising FX-aligned revenue models, and exploring available hedging solutions. LPs are increasingly targeting dependable cash-yielding strategies as a clearer route to currency-aligned returns, reinforcing East Africa's position as a leading private debt market on the continent.

Figure 3: East African Exchange Rate Performance, % Change Since Dec 2022



Source: UN, AVCA

## Sovereign Debt Pressures the Cost of Capital

Debt dynamics across East Africa remain uneven and continue to influence sovereign risk premiums, public sector investment, and domestic credit conditions. Ethiopia remains in debt distress following its 2023 default and is restructuring under the G20 Common Framework<sup>3</sup>. Kenya faces elevated fiscal pressure with high debt-servicing costs and renewed IMF engagement<sup>4</sup>. In contrast, Tanzania, Uganda, and Rwanda maintain relatively more stable debt profiles, supported by more conservative fiscal management and robust growth momentum.

For investors, risk premiums raise discount rates and compress valuations. Constrained public sector investment widens funding gaps in infrastructure and energy, increasing demand for private capital. Elevated borrowing costs and crowding-out pressures tighten liquidity for portfolio companies, while expanding opportunities for private debt. GPs' fundraising success will hinge on credible risk-mitigation capabilities, including blended finance approaches, as sovereign-risk trajectories inform LP selectivity.

## Trade and Logistics Bottlenecks Constrain Scale while Creating Opportunities

Trade and logistics inefficiencies continue to raise operating costs and dampen scalability prospects. Intra-regional trade remains low by global standards<sup>5</sup>, reflecting persistent non-tariff barriers, customs inefficiencies, and key infrastructure gaps. Global trade uncertainty has further elevated the importance of regional integration, although progress under the EAC and AfCFTA remains

gradual. As a result, high logistics costs continue to erode margins in manufacturing, agribusiness, consumer, and other import- and export-linked sectors.

For GPs, these constraints increase execution risk across supply chains and require disciplined working capital planning. At the same time, rising demand for transportation, warehousing, and supply chain technology creates clear opportunities for private capital to unlock efficiency and enable regional scale.

## Political Cycles Drive Near-Term Volatility and Medium-Term Policy Signals

Upcoming elections in key markets introduce short-term uncertainty while signalling potential shifts in policy priorities. Ethiopia's June 2026 elections carry risks of renewed tension amid ongoing security challenges in Amhara and Oromia<sup>6</sup>, while Kenya's 2027 elections may generate episodic disruption in major commercial hubs, including Nairobi.

For investors, this can delay deal execution, raise risk premiums, and affect sentiment. GPs must sequence transactions carefully around election periods. LPs may adjust commitment pacing and expectations around interim performance and exits. Also, election outcomes shape policy trajectories, underscoring a need for investors to track evolving regulatory priorities.

## Strategic Implications for Private Capital

### Navigating a Macro-Sensitive Operating Environment

Over the next 12–18 months, East Africa's macro environment will require disciplined investment strategies that balance strong structural growth with elevated near-term risks. Buoyant demand across consumer, financial, infrastructure, and digital sectors will continue to underpin deal flow, but FX risk will remain central to valuation, structuring, and exit planning. With the cost of capital elevated, leverage will be used more selectively and operational value creation will take on a greater share of returns. Tight domestic lending conditions are set to accelerate the role of private debt, particularly in consumer-facing and infrastructure-linked sectors, while deployment more broadly will become increasingly selective around political-cycle and FX-risk windows. Overall, East Africa continues to offer compelling long-term private capital opportunities underpinned by strong growth and structural demand. However, investment success will hinge on active macro-risk management, disciplined structuring, and a medium-term investment horizon, with capital increasingly channelled toward markets and sectors offering FX visibility, regulatory predictability, and scalable exit pathways.



# Private Capital Activity

## Investment Activity

Deal activity in East Africa is being shaped by a convergence of structural and cyclical factors, including accelerating digital adoption, post-2022 valuation discipline, expansion of private-debt instruments, and growing policy support for priority sectors. Demand is increasingly anchored in digitalisation and climate-linked infrastructure, driving investment across fintech, clean energy and climate-smart agriculture. At the same time, governments are actively crowding in private capital through targeted reforms and incentives, while deeper regional integration is expanding market scale, enabling cross-border growth and supporting a more resilient and diversified deal pipeline.



3<sup>rd</sup>

East Africa attracted **US\$4.1bn across 499 private capital deals between 2021 and 2025**, ranking **third regionally by deal volume and fourth by deal value**.

**Mid-market deal value doubled** between 2023-2025, driving the expansion of investment value in East Africa.

68%

**Venture capital continues to anchor deal activity** in East Africa, accounting for **68% of total deal volume** and 49% of deal value between 2021-2025.

**Private debt deal volume grew 30% YoY** in 2025, giving East Africa a **leading 36% share** of Africa's total private debt transactions.

23%

Deal activity in East Africa (2021-2025) is led by **Fintech (23%)**, **Agriculture (17%)** and **Energy (6%)** with **Mobility (5%)** emerging as a growing investment theme.

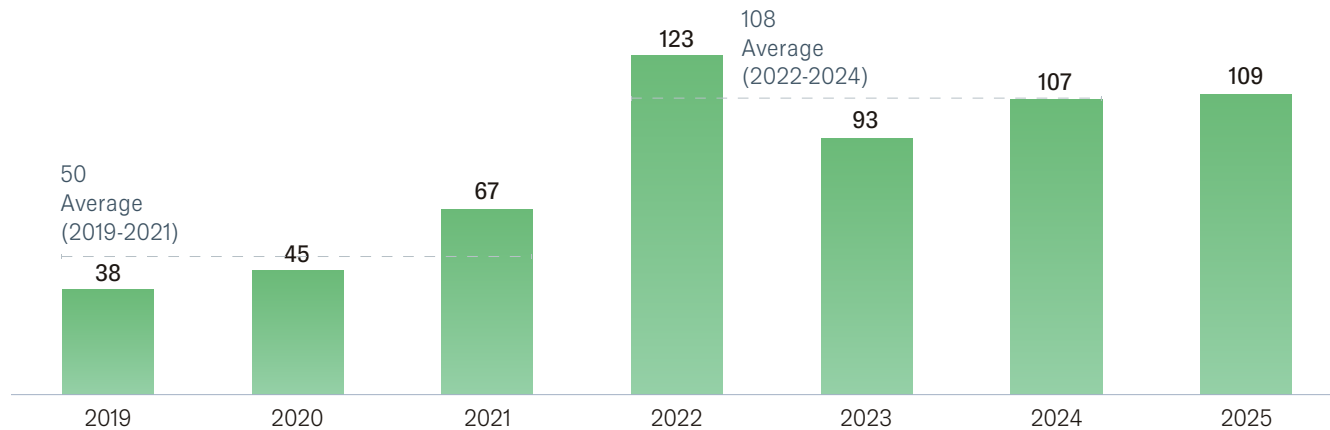
## Market Momentum Builds as Ecosystem Matures

East Africa's private capital market has undergone a decisive shift since 2022, transitioning from sporadic deal flow to a consistently active and scalable investment environment. Annual transactions have more than doubled, from roughly 50 deals per year between 2019 and 2021 to an average of 108 across 2022–2024, reflecting a deeper investable pipeline and greater stability in deal execution. This acceleration was ignited by the 2022 surge in venture capital, when investors backed a new wave of fintech and technology-enabled platforms addressing structural gaps in payments, credit, and digital infrastructure. The momentum that followed signalled more than a temporary spike: it marked

East Africa's emergence as one of the continent's most dynamic and investable private capital ecosystems.

The region's investment market continued to deepen in 2025 as financing options broadened. Deal activity rose modestly to reach 109 transactions, marking the region's third consecutive year of expansion. While venture capital remained the dominant entry point for most fund managers, private debt recorded a breakout year, emerging as a complementary tool for funding growth in the region as deal volume rose 30% YoY to mark its strongest performance across the continent.

Figure 1: Total Volume of Private Capital Deals in East Africa, by Year



Source: AVCA



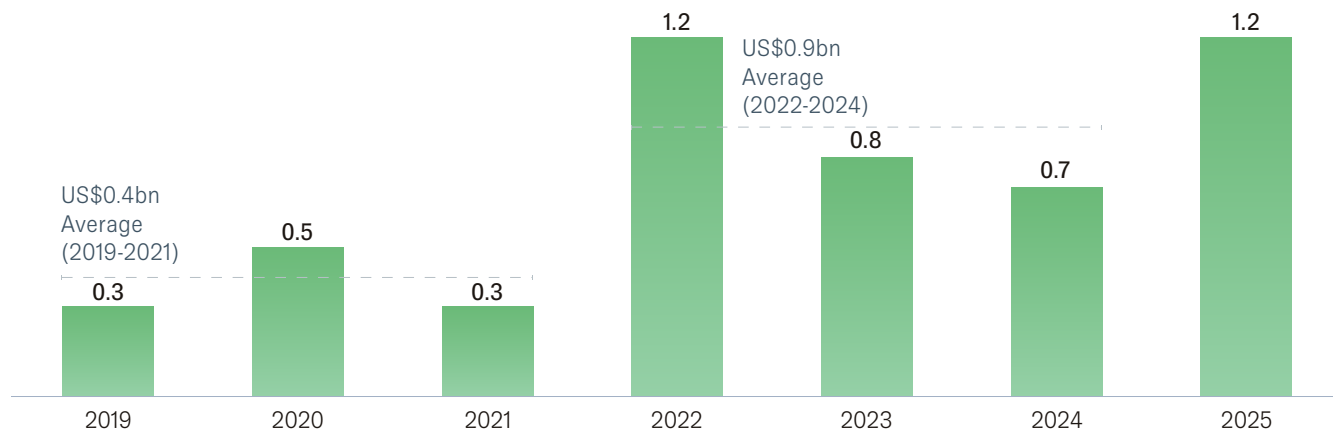
Alongside rising deal activity, capital deployment in East Africa has expanded, although annual totals remain sensitive to the timing of large transactions. In 2025, total deal value rose 75% YoY to US\$1.2bn, returning to the peak levels recorded in 2022 and positioning East Africa as the continent's second-largest market by value. Much of this increase was driven by large-ticket renewable energy investments, with three integrated solar transactions above US\$100mn accounting for 55% of total regional deal value.

Even excluding these outliers, the underlying trend points to a market operating at structurally higher levels of capital deployment. Since 2022, annual investment has averaged US\$0.7bn - well above the US\$0.4bn typical of earlier years. This indicates that the region's investment base has materially expanded, creating an opportunity for funds to deploy larger amounts of capital in scalable climate infrastructure and energy platforms.

### Mid-Market Expansion Reshapes Capital Patterns

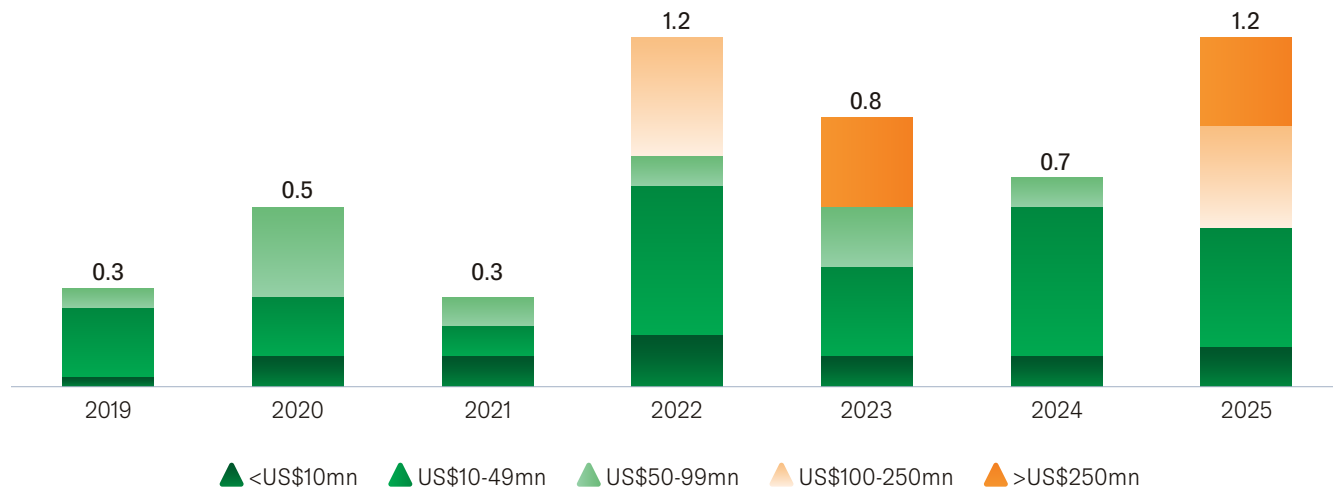
Investment growth in East Africa has been supported by the gradual expansion of the mid-market. While sub-10mn deals continue to anchor activity, a notable shift has emerged in the US\$10–49mn segment. Capital deployed in this range has doubled over the past three years to approximately US\$0.4bn. This expansion signals a maturing pipeline that can accommodate larger cheques, improving entry discipline for mid-market fund managers. The Financials sector has been central to this shift, reflecting the maturation of the region's fintech ecosystem, where more companies are moving beyond early-stage funding and reaching scales that can absorb larger cheques.

Figure 2: **Total Value (US\$bn) of Private Capital Deals in East Africa, by Year**



Source: AVCA

Figure 3: **Total Value (US\$bn) of Private Capital Deals in East Africa, by Year & Ticket Size**



Source: AVCA

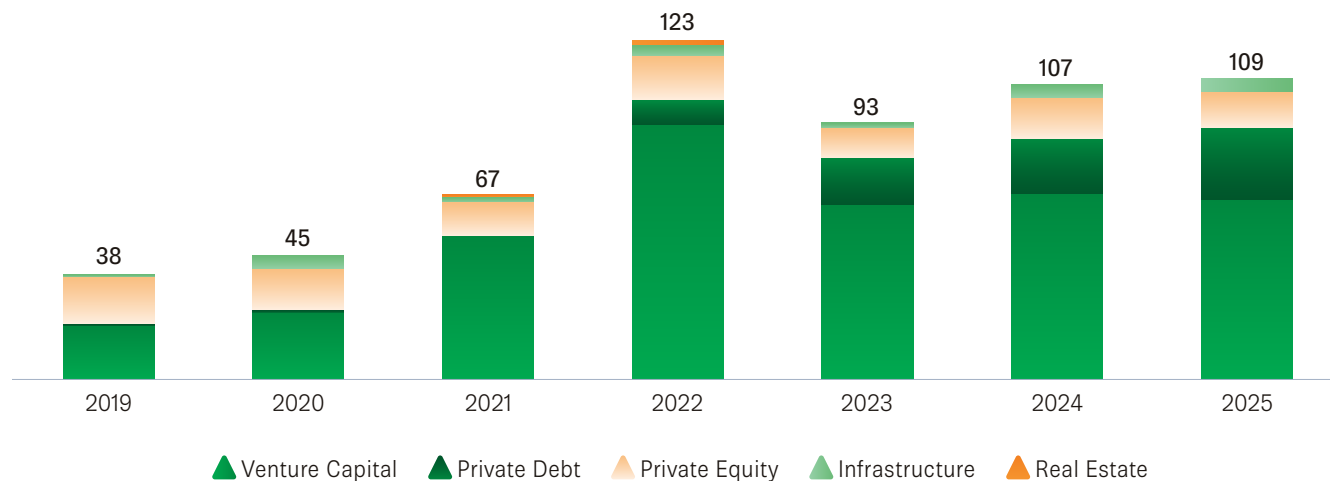
## Asset Class Dynamics

### Private Debt Expands Within a Venture-Led Market

Over the past 3 years, venture capital has defined the region's private capital market, accounting for 60% of total transaction volume. Activity surged to record highs in 2022, as global investor enthusiasm for fintech and digital platforms spilled into the region. However, the subsequent pullback in 2023 reflected a broader recalibration rather than a collapse in interest, as fund managers reassessed valuations and shifted toward more disciplined capital deployment. Venture capital deals have since stabilized, averaging 65 transactions annually, suggesting that the market has found a more sustainable pace of investment. Financials and Information Technology remain the core engines of venture investment in East Africa. Here, strong demand for digital financial services converges with scalable technology platforms, creating some of the region's most compelling investment opportunities.

Despite venture capital anchoring deal activity, private debt has gained significant traction in East Africa. In 2025, this momentum accelerated, with total private debt deal volume rising 30% YoY, giving the region a 36% share of Africa's total private debt transactions and reinforcing credit's growing role in the region's capital structure. For investors, this trend reflects shifting capital preferences among the growing pipeline of growth-stage agriculture, food systems and fintech companies seeking working-capital financing, creating opportunities for greater use of debt to fund growth without equity dilution.

Figure 4: Total Volume of Private Capital Deals in East Africa, by Year & Asset Class

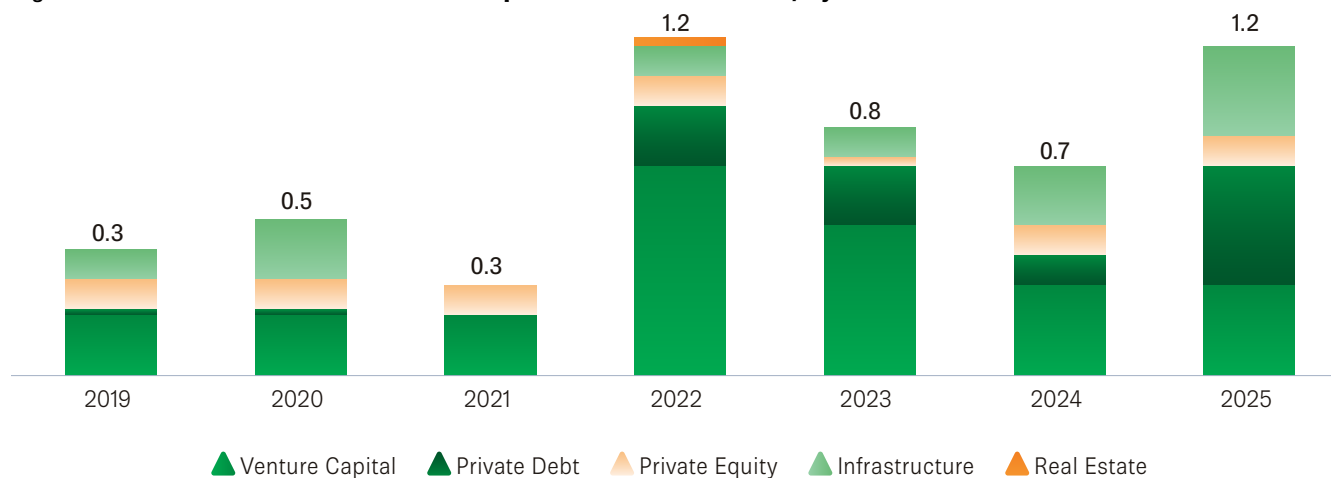


Source: AVCA



In contrast, private equity has remained a relatively smaller component of East Africa's investment landscape, reflecting a market still largely shaped by earlier-stage financing. In 2025, the asset class accounted for just 12% of regional deal volume and 11% of deal value. Within the region, private equity has been most active in financing established mid-sized companies, particularly in the FMCG sector, where resilient consumer demand and proven market positions offer attractive entry points for fund managers. As businesses across the region mature beyond early-stage funding, a growing opportunity is emerging for private equity managers to provide the growth capital needed to scale operations and support regional expansion.















Figure 5: **Total Value (US\$bn) of Private Capital Deals in East Africa, by Year & Asset Class**



Source: AVCA

## Country Allocation

### Country Breakdown (2021-2025)

|  |  <b>Kenya</b>       |  <b>Uganda</b>      |  <b>Rwanda</b>                   |  <b>Tanzania</b>    |  <b>Ethiopia</b>           |
|--|--|--|---|--|---|
|  <b>Deal Volume*</b>                         | 65%  | 14%  | 7%  | 5%   | 4%  |
|  <b>Deal Value*</b>                         | 84%  | 5%   | 3%  | 3%   | 1%  |
| * Residual activity is attributable to other countries in the region   |  |  |   |  |   |
|  <b>Top Asset Class (by Deal Volume)</b>    | Venture Capital (70%)  | Venture Capital (54%)  | Venture Capital (72%)   | Venture Capital (67%)  | Venture Capital (58%)   |
|  <b>Most Active Sector (by Deal Volume)</b> |  Financials (22%) |  Financials (35%) |  Consumer Discretionary* (22%) |  Financials (33%) |  Consumer Staples* (42%) |
|  |  |  | * Consumer Discretionary include consumer services such retail and education.                                       |  | * Consumer Staples include companies in the Agriculture sector.   |

## Kenya Anchors Investment as Frontier Markets Gain Ground

Kenya remains the centre of gravity for private capital in East Africa, shaping both the scale and direction of investment across the region. Over the past five years, Kenya has led investment activity and in 2025 accounted for 61% of deal volume and an overwhelming 87% of total deal value. This level of activity reflects Kenya's status as the largest economy in East Africa, with Nairobi standing out as a regional business, financial and technology hub. Notably, Kenya's fintech sector is the region's growth engine, driven by widespread mobile money adoption that has supported strong venture capital participation, and an enabling regulatory environment that has fostered innovation and investments in digital payments, credit platforms, and API-driven financial infrastructure. Kenya's concentration of investment capital signals a deeper pool of scalable businesses - particularly in fintech and digital services—allowing investors to access larger, more mature opportunities

Despite Kenya's dominance, investors are increasingly engaging with other East African markets. Over the past 5 years, Uganda has consistently ranked as the region's second most active investment destination. In 2025, deal activity in Uganda rose 1.4x, contributing 17% to regional deal volume and 5% to deal value, highlighting a market characterised by smaller transactions. Agribusiness and fintech anchor Uganda's investment pipeline, with the former creating opportunities for investment across processing and agricultural value chains, while fintech is attracting investments across payments and lending platforms.

While still a relatively small market accounting for a modest 6% of regional deal volume and 1% of deal value in 2025, Rwanda is steadily positioning itself as an emerging destination for venture-led investment in East Africa. Policy initiatives such as the 2021 Investment Promotion and Facilitation Law and the Kigali International Financial Centre (KIFC) have strengthened the country's startup ecosystem, helping signal a commitment to improving market infrastructure, attract institutional interest, and support a growing pipeline of locally based startups. The shift is already visible in capital flows, with Rwanda's share of venture capital investments rising to 67% in 2025 from 50% in 2022.

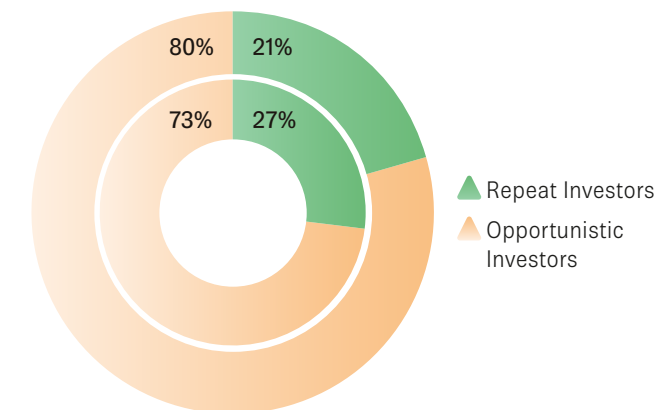
Ethiopia contributed 6% to the region's deal volume and only 1% to deal value in 2025, reflecting a market where activity remains limited. However, recent reforms are looking to shift investor perceptions. Foreign exchange liberalisation and digital sector reforms are gradually lowering structural barriers to private investment. The government's ban on internal combustion engine vehicle imports has accelerated the transition toward electric mobility, creating opportunities for investment across the EV value chain.

Tanzania's private capital market is in early stages of ecosystem development. However, regulatory formalisation is beginning to support the growth of a more investable startup landscape. The Bank of Tanzania's fintech regulatory sandbox has created a controlled pathway for innovation, while a growing base of local startups is expanding the venture pipeline. These dynamics position Tanzania as an emerging venture capital opportunity that is attracting investor attention.

## Capital Recycling Signals Deepening Market Confidence

Repeat investor activity remains one of the clearest signals of market confidence in East Africa. Over the past two years, 24% of transactions involved returning investors, underscoring the region's deepening investable pipeline and improving execution certainty. Kenya continues to attract the bulk of this capital given its mature ecosystem, but its share of repeat-investor deals declined from 19% in 2024 to 11% in 2025 as investors increasingly extended their reach into frontier markets such as Uganda, Tanzania and Rwanda. This diversification of repeat capital into frontier markets signals growing investable depth beyond Kenya. A similar shift is emerging among new and opportunistic investors. While Kenya remains the dominant entry point, frontier markets are capturing a rising share of first-time capital, with Uganda's portion increasing marginally from 8% to 13% in 2025 and Ethiopia's from 3% to 5%. As pipelines mature across multiple markets, investors are progressively expanding beyond the core hub in search of differentiated deal flow and earlier access to emerging opportunities.

Figure 6: Share of Repeat Investors in East Africa, 2024 & 2025\*



\*Inner circle represents 2024 and outer circle represents 2025

Source: AVCA

# Sector Deep Dives

East Africa offers a diversified private capital landscape, yet investment continues to concentrate around the sectors driving the region's structural transformation. Financial technology, agriculture, energy and mobility now anchor deal activity, each addressing deep structural gaps in financial inclusion, food systems, and sustainable infrastructure. Their prominence reflects more than sector momentum, it marks the convergence of scalable business models, accelerating digital adoption, and increasingly supportive policy frameworks. For investors, these sectors define where commercially viable solutions align with long-term structural demand, mapping the next phase of capital deployment as East Africa builds the systems required for sustained long-term growth.



## FINANCIALS & FINTECH



Over the past five years, the Financials sector has anchored private capital activity in East Africa, capturing 23% of deals and 30% of capital deployed. This reflects the rapid digitisation of payments and credit services, which continues to expand the region's financial services market. Investment activity has been led by venture capital, which has accelerated the expansion of digital financial services across the region. Following a surge in 2022, activity moderated but stabilised in subsequent years, indicating sustained investor conviction despite tighter global funding conditions. Within the sector, capital has concentrated on scalable segments such as digital banking and payment services, where rising digital adoption continues to support growth. Kenya has anchored much of this growth, accounting for 61% of deal

volume and 88% of capital invested, underpinned by a mature mobile payments' ecosystem and a supportive regulatory framework.

Policy developments in the sector are reinforcing this growth by reducing regulatory friction and supporting innovation. The Kenya-Rwanda fintech licence passporting pilot<sup>7</sup> in 2026 signals early steps toward regional regulatory alignment, while Tanzania's newly launched Fintech Regulatory Sandbox<sup>8</sup> is lowering entry barriers for startups to develop new financial technologies. Together, these initiatives are creating the conditions for cross-border fintech expansion, positioning the sector as one of the region's most scalable investment themes - where platform models can replicate across markets, absorb larger pools of capital, and offer clearer pathways to strategic exits.

## AGRICULTURE & AGRITECH



Agriculture stands out as East Africa's second most active investment sector, capturing 17% of deal volume over the past 5 years. Despite strong deal flow, capital deployment has however remained modest: the sector accounted for just 5% of total deal value over the same period, pointing to a market where investor interest has been broad-based, but ticket sizes have remained relatively small. This funding gap has increasingly been filled by private debt, which accounted for 45% of total capital deployed into the sector, more than double the share of equity financing, as specialised lenders step in where commercial banks remain reluctant to extend credit. Notably, capital within the sector has begun to move beyond primary production toward tech-enabled distribution and supply-chain platforms, which represented 20% of agricultural investments, signalling a gradual shift toward more scalable business models that address bottlenecks in market access, logistics and input delivery. For investors, the dominance of private debt and emergence of tech-enabled agri platforms create blended-finance and growth-debt pathways that reduce risk while improving returns.

Across the region, governments are taking deliberate measures to crowd in private sector financing to the sector. Kenya's newly launched US\$200mn Green Investment Fund<sup>9</sup> structured through blended finance, reduces downside risk for investors backing climate-smart agricultural SMEs, enabling capital to flow into segments such as irrigation systems, agri-processing and climate-resilient inputs. Similarly, Rwanda's push to mobilise US\$335mn for climate-smart agriculture<sup>10</sup> infrastructure signals government commitment to scaling funding into productivity-enhancing assets such as irrigation and water management. In Uganda, tax holidays and VAT exemptions<sup>11</sup> on seeds and agricultural machinery lower production costs and improve project economics for agribusiness operators, strengthening the commercial case for investment.

## ENERGY & CLIMATE



Climate-aligned sectors represent the region's fastest-growing pool of investable opportunities. Energy has emerged as one of East Africa's strategically important sectors, sitting at the intersection of structural demand and scalable investment opportunities for private capital. Capital deployment trends underscore this momentum: Over the past five years, clean energy accounted for 6% of regional deal volume but attracted the second-largest share of investment by value (19%), with roughly US\$0.8bn deployed. The sector's evolution has been marked by a shift from traditional solar and wind infrastructure financing towards distributed and off-grid models such as pay-as-you-go solar, mini-grids, and independent power producers (IPPs) that directly address persistent power deficits while accelerating the region's clean energy transition.

To support the financing of the clean energy transition, Kenya's Energy Transition and Investment Plan<sup>12</sup> and Rwanda's Renewable Energy Policy<sup>13</sup> both introduce frameworks designed to reduce investor risk and expand private sector participation across the energy value chain - from solar and geothermal projects to emerging energy technologies. The combination of de-risking policies and distributed models increases bankability of renewable energy projects and supports mid-market infrastructure strategies.

## TRANSPORTATION & MOBILITY



Transport has emerged as a niche but growing investment theme in East Africa, representing 5% of both deal volume and value over the past five years, with roughly US\$0.2bn invested. Within the sector, investment has centred on logistics infrastructure and electric mobility, reflecting the region's growing need for efficient supply chains and urban transport solutions. Cold storage and supply chain platforms are expanding to support the region's agricultural value chains, while electric motorcycles and vehicles are gaining traction as scalable solutions for urban transport, signalling new opportunities at the intersection of mobility, infrastructure, and climate transition.

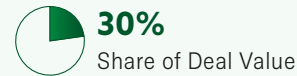
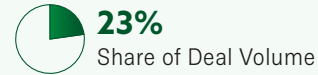
Across East Africa, governments are actively redesigning transport policy to accelerate the shift towards electric mobility, positioning East Africa as an investible hub for the next generation of transport systems. Ethiopia's 2023 ban<sup>14</sup> on internal combustion engine vehicle imports has rapidly catalysed EV adoption, giving the country the highest electric vehicle stock share in Africa at 8.3% and creating early demand for charging infrastructure and battery supply chains. Kenya's National E-Mobility Policy<sup>15</sup> similarly provides a framework for scaling charging networks and developing local EV ecosystems, improving the visibility of infrastructure investment opportunities for private capital. Rwanda has complemented these efforts by removing import taxes<sup>16</sup> on fully electric vehicles, reducing entry costs and encouraging private investment into clean mobility solutions. Collectively, these policy shifts create early-mover opportunities for investors focused on charging networks, battery infrastructure and fleet-financing models.



**1<sup>st</sup>** by Volume & Value

### FINANCIALS & FINTECH

**U\$1.2bn** invested across 117 deals



#### Top Verticals



Digital Payments

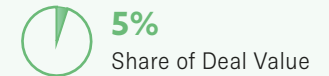


Credit Platforms

**2<sup>nd</sup>** by Volume **6<sup>th</sup>** by Value

### AGRICULTURE

**U\$0.2bn** invested across 87 deals



#### Top Verticals



Agro-processing



Agtech

## Priority Sectors (2021-2025)

**6<sup>th</sup>** by Volume & Value

### TRANSPORTATION

**U\$0.2bn** invested across 27 deals



#### Top Verticals



E-mobility



EV Infrastructure

**7<sup>th</sup>** by Volume

**2<sup>nd</sup>** by Value

### ENERGY

**U\$0.8bn** invested across 28 deals



#### Top Verticals



Utility-scale Power Generation



Off-grid & Distributed Energy

# Most Active Investors in East Africa

## Most Active GPs\* in East Africa

| Organisation Name                        | Country (HQ)             | Asset Focus                     | Ticket Size Range | East Africa Footprint (24-25)                  | Sector Focus (24-25)  |
|--|--------------------------|---------------------------------|-------------------|--|---|
| Acumen Resilient Agriculture Fund (ARAF) | Kenya                    | Venture Capital                 | \$1M - \$5M       | Rwanda, Kenya                                  | Industrials, Consumer Services                                  |
| African Renaissance Ventures             | United States of America | Venture Capital                 | Up to \$2M        | Rwanda, Kenya, Tanzania                        | Tech, Real Estate   |
| AfricInvest Group                        | Tunisia                  | Private Equity                  | \$1M - \$23M      | Kenya  | Financials, HealthCare, Consumer Services                       |
| AgDevCo                                  | United Kingdom           | Private Equity, Private Debt    | \$3M - \$12M      | Kenya, Ethiopia, Sudan                         | Agribusiness, Materials   |
| AHL Ventures                             | Kenya                    | Venture Capital, Private Debt   | \$1-\$5M          | Kenya, Rwanda, Ethiopia                        | Agribusiness, Consumer Services, Financials                     |
| Ascent Capital                           | Kenya                    | Private Equity                  | \$2M - \$15M      | Kenya, Ethiopia and Uganda                     | Healthcare, Agribusiness, Materials                             |
| Catalyst Fund                            | Kenya                    | Venture Capital                 | \$200K - \$500K   | Kenya, Tanzania                                | Tech, Industrials   |
| Cygnum Capital                           | United Kingdom           | Private Debt                    | Up to \$18M       | Kenya, Uganda, Rwanda, Seychelles, South Sudan | Communication Services, Clean Energy, Industrials, among others |
| Delta40                                  | Kenya                    | Venture Capital                 | \$100K - \$500K   | Kenya, Uganda                                  | Industrials, Agribusiness, Consumer Services                    |
| Incofin Investment Management            | Belgium                  | Private Equity, Private Debt    | \$500K - \$10M    | Kenya, Tanzania, Uganda, Rwanda                | Agribusiness, Industrials, Consumer Services                    |
| Investisseurs & Partenaires              | France                   | Private Equity                  | \$300K - \$6M     | Uganda, Kenya                                  | Agribusiness, Consumer Services                                 |
| Launch Africa Ventures                   | Mauritius                | Venture Capital                 | \$100K - \$500K   | Kenya, Tanzania, Uganda among others           | Financials, Industrials and Consumer Services among others      |
| Mirova                                   | France                   | Infrastructure                  | \$5M - \$30M      | Kenya  | Consumer Services, Agribusiness, Energy                         |
| Nordic Impact Funds                      | Copenhagen               | Venture Capital, Private Equity | \$100K - \$2M     | Kenya, Tanzania, Uganda                        | Financials, Agribusiness, Tech, Industrials                     |
| Norrskan                                 | Sweden                   | Venture Capital                 | Up to \$16M       | Kenya, Rwanda, Uganda, Tanzania                | Financials, Tech, Industrials among others                      |
| Novastar Ventures                        | United Kingdom           | Venture Capital                 | \$250K - \$8M     | Kenya  | Industrials, Tech, Consumer Services among others               |
| Renew Capital                            | Uganda                   | Venture Capital                 | \$500K - \$1M     | Kenya, Ethiopia, Uganda, Rwanda                | Tech, Consumer Services, Communication Services, among others   |
| Sahel Capital                            | Nigeria                  | Private Equity                  | \$300K - \$5M     | Kenya, Uganda                                  | Agribusiness  |
| TLG Capital                              | United Kingdom           | Private Equity                  | \$5M - \$10M      | Kenya, Uganda, Tanzania, Djibouti              | Healthcare, Consumer Services, Tech, among others               |
| Vestedworld                              | United States of America | Venture Capital                 | \$500K - \$2M     | Kenya, Rwanda                                  | Agribusiness, Consumer Services, Tech, among others             |

\*Selection reflects the 20 most active GPs by disclosed transactions between 2021 and 2025, limited to managers with confirmed activity in 2024 or 2025.

## Most Active LPs\* in East Africa

| Organisation Name                            | Organisation Type               | Country (HQ)             | Allocation Strategy                               | Asset Class Focus  | Ticket Size Range |
|--|---------------------------------|--------------------------|---|--|-------------------|
| British International Investment (BII)       | Development Finance Institution | United Kingdom           | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt, Infrastructure, Real Estate | \$10M - \$250M    |
| DEG  | Development Finance Institution | Germany                  | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt                              | \$6M - \$12M      |
| Digital Africa                               | Development Finance Institution | France                   | Funds Commitments, Direct Investing, Co-Investing | Venture Capital  | \$20K - \$100K    |
| DOB Equity                                   | Family Office                   | Netherlands              | Direct Investing, Co-Investing                    | Private Equity   | \$1M - \$10M      |
| FMO - Dutch entrepreneurial Development Bank | Development Finance Institution | Netherlands              | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt, Infrastructure              | \$500K - \$20M    |
| International Finance Corporation            | Development Finance Institution | United States of America | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt, Infrastructure              | \$1M - \$10M      |
| Kuramo Capital Management                    | Funds of Funds                  | Nigeria                  | Direct Investing, Co-Investing                    | Private Equity   | \$5M - \$15M      |
| Norfund                                      | Development Finance Institution | Norway                   | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt, Infrastructure              | \$1M - \$50M      |
| PROPARCO                                     | Development Finance Institution | France                   | Funds Commitments, Direct Investing, Co-Investing | Venture Capital, Private Equity, Private Debt, Infrastructure              | \$10M - \$30M     |
| Sango Capital                                | Funds of Funds                  | South Africa             | Funds Commitments, Direct Investing, Co-Investing | Private Equity   | \$1M - \$10M      |

\*Selection reflects the 10 most active LPs by number of direct investments between 2021 and 2025, limited to investors with confirmed activity in 2024 or 2025.



# Exits, Liquidity & Realisation

## Exit Activity

East Africa's exit market is gaining momentum, translating into improving distribution visibility and a more accessible exit environment. While modest, exit volumes have grown at a CAGR of 26% over the last five years, ranking the region first in Africa by growth rate. This acceleration is structural, spanning multiple dimensions of liquidity: capital recycling is strengthening, time-to-exit is compressing, and liquidity mechanisms are becoming more established. International acquirers now dominate the buyer base, while private debt and venture capital are realising liquidity on faster timelines. Liquidity remains concentrated by sector and geography, reinforcing where exits are most consistently achievable.



1<sup>st</sup>

**East Africa** ranks fourth in Africa by private capital exit volume, but **leads the continent by exit growth**, with exit volumes **compounding at a 26% CAGR** and 35 exits recorded between 2021 and 2025.

**East Africa's average time-to-exit of 6.2 years** sits below the continental benchmark of 6.8 years and **is compressing**, with nearly 40% of exits in 2024-2025 carrying holding periods below four years.

60%

**Trade buyers** account for nearly **60% of exits** over 2021-2025, the **highest share of any African region**, with **sponsor-to-sponsor exits surpassing trade buyers** as the leading exit route in 2025.

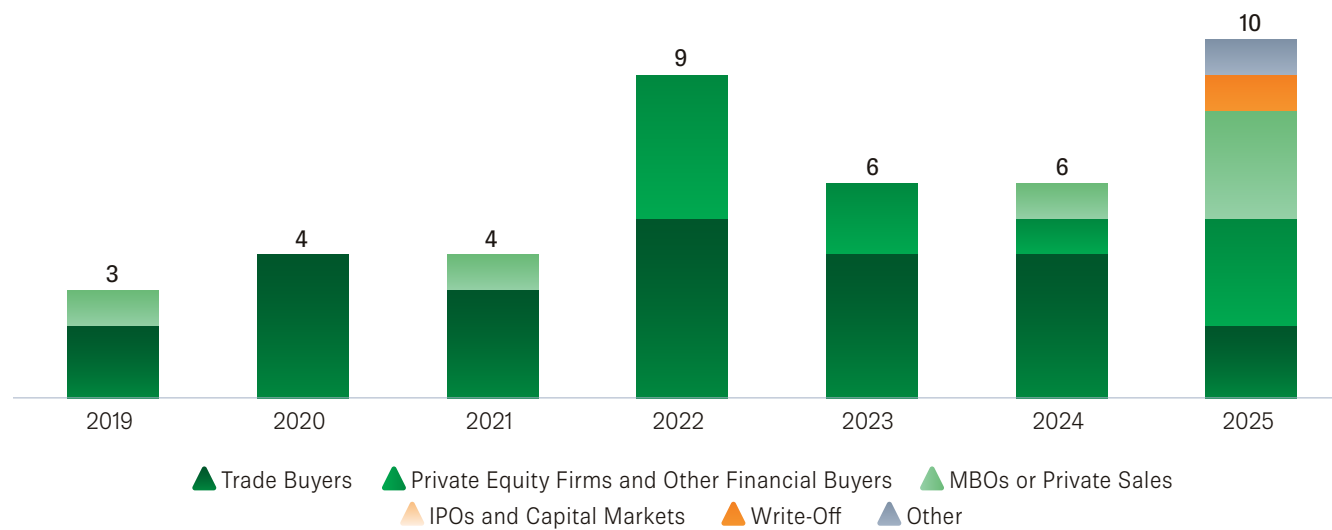
**International buyers drove 60% of East Africa's exits in 2025**, almost twice the continental average of 32%, making it the continent's most internationalised exit market.

4

**Four sectors** concentrate **nearly 80%** of exit liquidity in East Africa: **Agribusiness** and **Financials**, with **Consumer Services** and **Healthcare** defining the next region's exits opportunities.

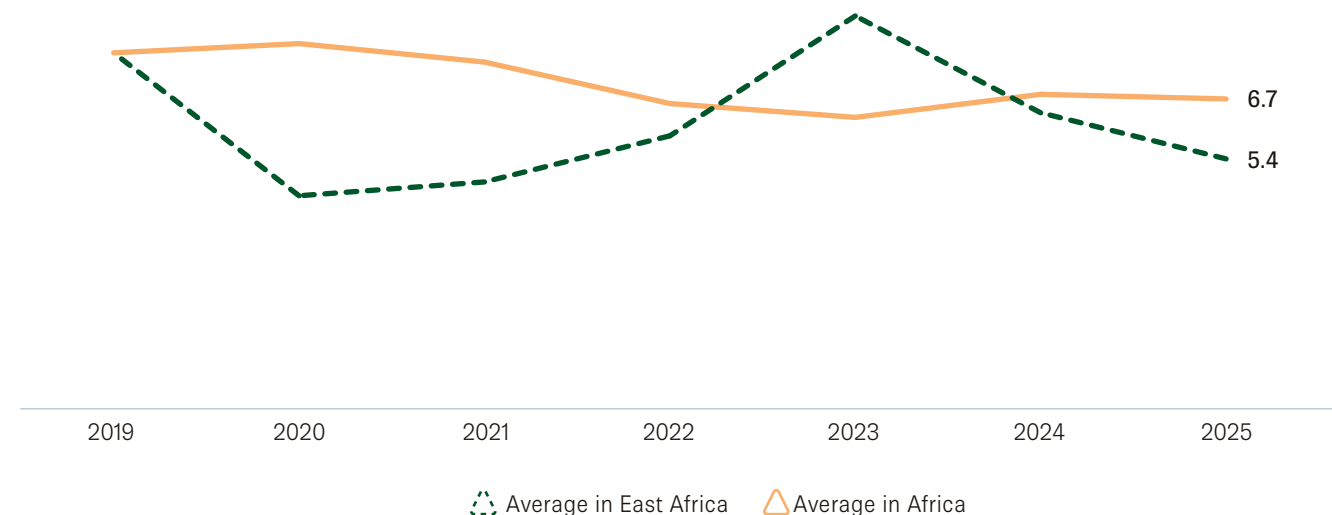
## Liquidity Is Accelerating in a Nascent Market

Figure 1: Volume of Private Capital Exits in East Africa, by Year & Exit Routes, 2019 – 2025



Source: AVCA

Figure 2: Evolution of Holding Period in Africa vs East Africa by Year of Exit, 2015 – 2025



Source: AVCA

East Africa ranks fourth in African private capital exits by volume, with 35 exits and a 12% continental share over 2021-2025, yet its growth trajectory signals a nascent market with expanding opportunities. Driven by an economic growth rate that has outpaced other leading African economies and rising liquidity pressures, distributions are improving in the region. Exit volumes compounded at 26% CAGR over 2021-2025, ranking the region first across Africa before Southern Africa at 25% and above the continental average of 23%.

Recycling capacity, measured by the rate at which invested capital is returned to investors through exits, remains below the continental average of 0.2, the lowest on the continent, reflecting the relative youth of its deployment cycle, and a narrower exit route depth than comparable markets such as North Africa. There, a more developed stock exchanges and a higher incidence of MBOs provide additional liquidity pathways that East Africa lacks. However, the investment-to-exit ratio moved upward to 0.1x in 2025, a later inflection than other regions but a visible one driven by the broadening of exit routes.

The same tension between constraint and progress plays out over exit timings. East Africa's average time-to-exit of 6.2 years sits below the continental benchmark of 6.8 years over 2021-2025, but the headline obscures a more meaningful shift. Holding periods rose between 2021 and 2023, weighted by long-duration assets in Financials and Consumer Staples, before reversing: nearly 40% of exits in 2024-2025 carried holding periods below four years. The 2025 average was further pulled downward by BluePeak Private Capital's exit from Watu, a private debt transaction of US\$14mn realised after three years. As the exit toolkit expands and a maturing pipeline comes to market, exit velocity is rising, signalling faster DPI underway for LPs.

## East Africa's Five Liquidity Signals

### International Buyers Deepen the Exit Pool

The internationalisation of East Africa's buyer base is a direct driver of rising exit velocity. International acquirers accounted for 60% of buyers in 2025, compared to a majority of local buyers in every other African region. Kenya's sustained economic resilience and the appeal of the Silicon Savannah, the continent's emerging tech hub, have made East African companies compelling targets for international private equity and strategic acquirers.

### Trade Sales Lead While Secondaries and MBOs Emerge

Trade buyers have been the dominant drivers of exit activity, accounting for nearly 60% of exits over 2021–2025. This is the highest share across African regions and well above the continental average of 44%. Buyer interest extends across Consumer Goods and Services, Financials, and Healthcare. The Cepheus Growth Capital Partners exit from Komari Beverage to Heineken in Ethiopia in 2024, realised after just 2.1 years, illustrates the appetite of multinational corporates for well-positioned consumer assets. As GPs navigate rising liquidity pressure, the 2025 route mix has shifted materially toward liquidity innovation developing alternative recycling infrastructure to reduce dependence. Secondary exits surpassed trade buyers as the leading route in 2025, accounting for 33% of exits and clearing at 4.0 years, offering faster capital

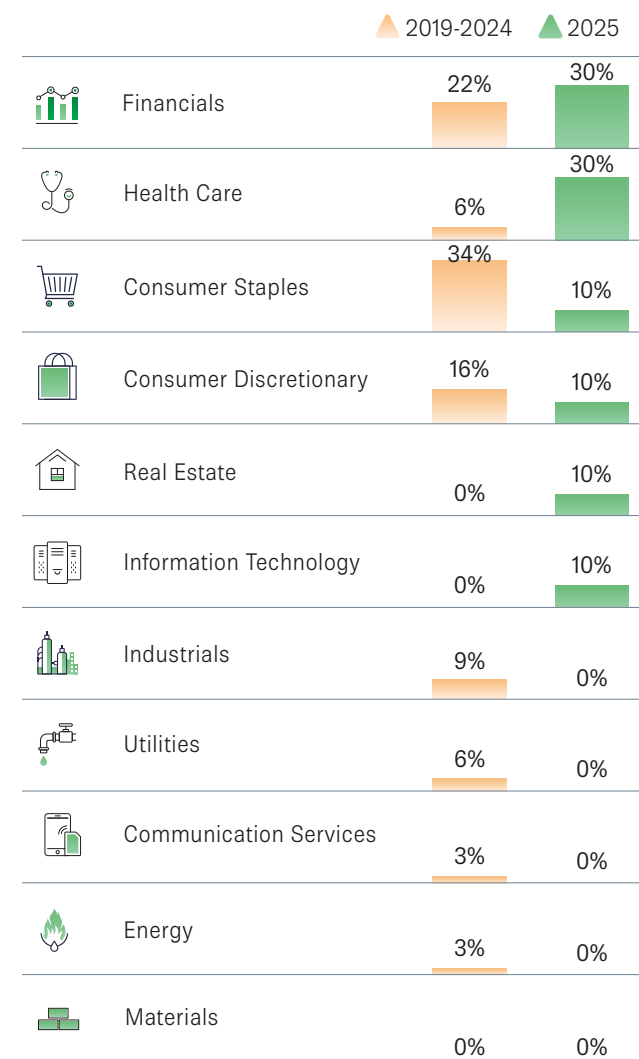
recycling across Financials, Consumer Services, and Healthcare. MBOs, while still limited, have grown over the last two years, representing 11% of exits and concentrated in Kenya and Uganda. The absence of IPO activity since 2015 remains a structural gap. Recent regulatory steps by the Nairobi Securities Exchange and Rwanda's Capital Markets Authority to facilitate capital raising for unlisted companies are a positive development. Closing this gap would expand exit optionality and strengthen East Africa's competitiveness on the continent.

Beneath the acceleration headline, the asset class, sector and geography breakdown points to where liquidity is concentrating and the strategies driving it.

### Private Debt and Venture Capital Positioned for Faster Realisation

While private equity dominates the five-year picture at 65% of exits, consistent with the maturation of pre-2021 fund vintages, the forward-looking signal lies in private debt and venture capital, which are clearing faster than most African regions. Private debt, while nascent, is emerging as the fastest liquidity pathway on the continent at 4.1 years. Venture capital is entering a more active phase as time-to-exit fell to 3.5 years in 2025, second only to North Africa. Investors with exposure to East African venture and private debt strategies are seeing return profiles accelerate, a trend that is likely to define the next phase of the region's exit market.

Figure 3: Share of Volume of Private Capital Exits in Africa, by Year & Sector



Source: AVCA

## Agriculture and Financials Anchor Liquidity, Consumer Services and Healthcare Rise

Exit liquidity in East Africa is becoming increasingly concentrated by sector, reflecting where buyer depth and realisation pathways are most developed. Over 2021–2025, four sectors accounted for close to 80% of regional exits, underscoring the selective nature of liquidity formation as markets mature.

Consumer Staples and Financials anchor this liquidity profile, accounting for 26% and 23% of realised exits respectively over 2021–2025, with Consumer Staples structurally underpinned by agriculture platforms and Financials driven by digital payments. Consumer-facing services and Healthcare are expanding alongside these anchors, accounting for almost 40% of regional exits in 2024–2025, double their share over 2021–2023, signalling a broadening, though still concentrated, exit landscape. This shift is illustrated by LeapFrog Investments' divestment of *Goodlife Pharmacy* to CFAO Healthcare, the region's largest PE-led retail pharmacy exit to date.

Within Consumer Staples, exit liquidity is anchored across two core markets, Uganda and Ethiopia. The sector offers the broadest mix of exit routes in the region, with trade buyers accounting for 44% of exits, secondaries 33% and management buyouts 22% over the past five years. This combination of route diversification and market depth within core geographies positions Consumer Staples as the most predictable exit segment for agriculture-focused investors in East Africa.

Liquidity in Financials is concentrated in Kenya and Rwanda, the region's most developed financial

markets. Buyer depth is anchored by trade acquirers, accounting for 50% of exits, supported by regional banking consolidation and global insurance expansion, while local private equity sponsors represent a further 25% of realised exits. Although holding periods in Financials remain the longest across sectors, they are compressing as legacy assets clear, particularly in Fintech. This points to a transition toward a more accessible, technology-led exit environment for financial services investors.

## Kenya and Uganda Dominate, Ethiopia Expands, Rwanda Emerges

Geographically, exit opportunities are concentrated in Kenya and Uganda but slowly broadening to Ethiopia and Rwanda.

Kenya accounts for 65% of regional exits, with Trade Buyers and Secondaries providing the deepest and most reliable exit routes, anchored in Financials and Agribusiness with Healthcare emerging as a new liquidity channel. Uganda offers a narrower but consistent exit profile through MBOs and Trade Buyers in Consumer Staples.

Ethiopia's rising share, from 7% to 11%, signals an expanding liquidity environment where Trade Buyers and early PE participation are opening exit pathways across Consumer Discretionary and Staples.

These five signals collectively point to a more predictable and diversified liquidity environment, strengthening East Africa's fundraising case as DPI visibility improves and exit pathways broaden across equity and debt strategies.



# Regulatory & Policy Watch

Regulatory shifts across East Africa are increasingly shaping capital mobility, fund structuring, and exit execution. The region is moving through a mixed reform cycle, market deepening in Kenya, structural liberalisation in Ethiopia, and gradual formalisation in Tanzania, supported by incremental steps toward regional integration. Yet FX regimes, tax fragmentation, and uneven implementation remain binding constraints that continue to influence where private capital is allocated.

## National Reforms

### Kenya: Capital Markets Reform and Fund Manager Licensing

#### 1. AIF & Fund Manager Licensing Framework (2025)

**What changed:** Building on regulations that defined alternative investment funds (AIF) in 2023, the Capital Markets Authority (CMA) in 2025 introduced a comprehensive licensing regime for fund managers. It covers higher capital requirements, risk-based reporting, concentration limits, and AUM-linked licence fees.

**Why it matters:** Improves regulatory clarity and boosts LP confidence by strengthening oversight and governance. However, higher operating thresholds raise entry barriers for emerging GPs and increase onshore fund administration costs. It also shapes decisions on whether to remain onshore or use offshore vehicles in jurisdictions like Mauritius or Guernsey, and may accelerate market concentration among larger GPs.

#### 2. Capital Markets (Amendment) Bill (Started in 2025, Still Pending)

**What changed:** The Bill proposes to remove the 33% ownership cap per shareholder and lifts restrictions on key personnel holding more than 25% ownership in licensed entities.

**Why it matters:** Expands GP ownership flexibility and anchor investor participation, broadening deal structuring options and exit pathways.





## Ethiopia: FX Reform and Capital Account Liberalisation

### 1. FX Reforms (2024–2026)

**What changed:** The Ethiopian birr (ETB) was floated, FX surrender rules abolished, FX accounts liberalised, and banks authorised to issue FX forwards and support external borrowing and profit repatriation.

**Why it matters:** Improves FX access, pricing transparency, and repatriation visibility, reducing a key constraint on entry and exit execution. Gradually introduces hedging options, enhancing currency risk visibility for PE and private debt investors. However, shallow FX markets and transition-period volatility will continue to affect deal structuring.

### 2. Outbound Investment Permissions (2024)

**What changed:** Ethiopian firms can now legally invest abroad with fewer approvals.

**Why it matters:** Enables cross-border expansion and M&A by portfolio companies and signifies progressive capital account liberalisation.

### 3. Capital Market Opening (2025–Ongoing)

**What changed:** The Ethiopian Capital Market Authority (ECMA) is finalising the framework to allow international investors and brokers to participate in the Ethiopian Securities Exchange.

**Why it matters:** Establishes a future local exit channel, supporting liquidity, valuation discovery, and deeper capital markets.



## Tanzania: Building the PE/VC Framework Under FX Pressure

### 1. Draft PE/VC Regulations (2024–2025)

**What changed:** The CMSA issued draft regulations defining PE/VC fund manager licensing requirements, including capital, governance, and reporting standards.

**Why it matters:** Improves regulatory clarity, but investor confidence will depend on the credibility and predictability of implementation.

### 2. Proposed Tax Incentives for PE/VC Fund Managers (2026/27 Budget)

**What changed:** The Tanzania Startup Association, Dar es Salaam Stock Exchange, and CMSA jointly proposed tax incentives, including 15-year exemptions for CMSA-licensed GPs.

**Why it matters:** Targets high tax costs – a key barrier to local fund structuring – with potential to develop a domestic GP ecosystem and reduce reliance on offshore domiciles<sup>17</sup>.

### 3. FX Usage Regulations (2025)

**What changed:** Domestic transactions must be denominated and settled in Tanzanian shillings, with foreign currency contracts converted to local currency.

**Why it matters:** Restricts deal structuring flexibility, raises FX hedging costs, and elevates exit friction. For PE/VC investors, the rules increase reliance on offshore SPVs to preserve FX flexibility and on shareholder loans to facilitate priority repayments and repatriation.

### 1. Cross Border M&A Oversight Shift (2025)

**What changed:** The EAC Competition Authority (EACCA) has been authorised as a one-stop shop for cross-border M&A approvals, intended to replace multiple national filings for transactions.

**Why it matters:** Reduces regulatory duplication, execution timelines, and transaction costs, improving cross-border deal efficiency and exits. However, uneven implementation means that it currently operates as an additional filing requirement in some countries exacerbating challenges for many GPs.

### 2. Capital Markets Infrastructure Integration (2026–Ongoing)

**What changed:** The EAC is reviving efforts to link stock exchanges across member states through a unified digital platform.

**Why it matters:** Expands regional IPO exit pathways and investor pools, supporting liquidity.

### 3. Cross-Border Payments Masterplan (2025)

**What changed:** Plans approved to widen the East African Payment System to all members states.

**Why it matters:** Enhances settlement efficiency and intra-regional capital mobility, easing transactions, portfolio operations, and working capital flows.

### 4. Tax Harmonisation (In Progress)

**What changed:** Private sector groups renewed calls for harmonised tax frameworks across the EAC<sup>18</sup>, though implementation remains uneven.

**Why it matters:** Could reduce structuring complexity and cross-border friction, improving fund operations and capital mobility. In the near term, fragmentation continues to limit the feasibility of regional holding-company structures and raise tax-planning frictions.

## SPOTLIGHT: DIGITAL REGULATION



### 1. Virtual Asset Frameworks Take Shape (Kenya 2025; Rwanda 2026)

**What changed:** Kenya introduced a comprehensive licensing regime for Virtual Asset Service Providers (VASPs), while Rwanda approved a draft law establishing licensing and supervisory oversight.

**Why it matters:** Strengthens regulatory clarity and investor confidence in digital assets, positioning Kenya as a regional hub while enabling formalisation and scaling of Rwanda fintech ecosystem. Clear licensing regimes also reduce AML/KYC compliance risks for both GPs and LPs.

### 2. Fintech Sandbox and POS Relief Drive Inclusion (Tanzania 2024)

**What changed:** The Bank of Tanzania launched a controlled environment for testing digital financial products and removed merchant point-of-sale (POS) transaction fees.

**Why it matters:** Supports product innovation and digital payments adoption, expanding pipeline development and revenue opportunities for fintech operators. Also helps de-risk early-stage testing environments for investors assessing scalability.

### 3. Digital Asset Taxation Introduced (Tanzania 2024)

**What changed:** Tanzania introduced a 3% withholding tax on digital asset transfers.

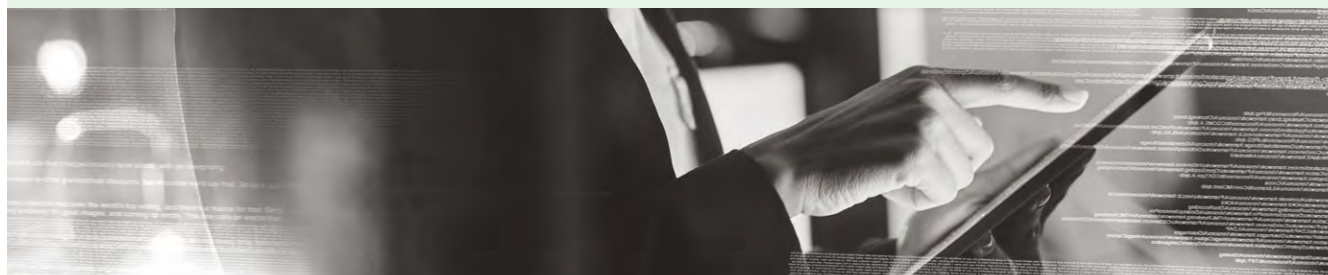
**Why it matters:** Establishes initial regulatory recognition but increases compliance costs and potential friction for crypto-related activity.

### 4. Digital Services Tax Revised (Uganda 2025)

**What changed:** Uganda replaced its 5% Digital Services Tax with a 15% withholding tax on non-resident digital service providers.

**Why it matters:** Raises operating costs for portfolio companies relying on foreign cloud infrastructure, SaaS platforms, and offshore tech vendors, affecting margin assumptions and vendor structuring.

Overall, clearer digital-regulation frameworks strengthen compliance certainty and due diligence quality for GPs and LPs, even as new tax measures introduce meaningful cost and structuring considerations.



# Near-Term Investment Outlook

East Africa entered 2026 with sustained structural growth momentum, translating into an expanding pipeline of scalable opportunities across fintech, clean energy, agribusiness, and healthcare. However, the ability to convert opportunity into realised returns will hinge on execution discipline rather than market

access. In a macro sensitive environment shaped by FX volatility, geopolitical spillovers, and capital selectivity, fund managers will need to prioritise valuation rigour, sector focus, and execution discipline to sustain return quality and accelerate liquidity.

## Market Landscape

Currency volatility will remain the single most influential macro variable shaping private capital deployment across East Africa in 2026, with currency performance diverging across key markets and external shocks continuing to reintroduce pressure. For investors, this divergence will have direct implications for entry pricing, FX-adjusted return profiles and the timing and visibility of distributions, reinforcing currency risk as central to deal execution in the short-term. In this environment, local currency structuring, FX aligned revenue models and private debt strategies, supported by East Africa's increasingly cash generative opportunity set, stand out as among the more effective tools available to manage currency exposure. Sector and market selection will be equally critical in preserving portfolio returns as careful deployment timing in shaping near term outcomes.

## Sectoral Hotspots

Financials and Agriculture are expected to remain East Africa's priority areas for capital deployment over the next 12 months. Within Financials, Fintech continues to offer the strongest combination of deal flow depth, regional scalability and improving exit visibility, supported by deepening digital adoption and clearer regulatory frameworks. In Agriculture, private debt is set to remain a core instrument, reflecting both its effectiveness in managing currency exposure and the growing race to liquidity. Clean Energy is likely to continue anchoring overall deal value across East Africa and remains a defining pillar of the region's private capital activity. For climate focused investors, the sector offers strong pipeline visibility and increasing scalability, supported by the growing role of private debt across energy platforms and climate infrastructure. Large ticket renewable deals are expected to drive deployment as policy alignment continue to strengthen.



Beyond these core areas, Electric Mobility, Logistics and Healthcare will provide niche opportunities in specific markets. Mobility and Logistics are gaining traction at the intersection of agricultural value chains and urban transport demand, while Healthcare is emerging as a more credible deployment and exit sector following a sustained increase in deal activity over the past three years. Early stage investors with strong local market insight are best positioned to access and shape these emerging pipelines. Across sectors, investors should continue to monitor political cycle risks and commodity price dynamics, both of which may introduce execution delays or valuation pressure in the near term.

## Countries Hotspots

Kenya is expected to remain East Africa's anchor market for private capital deployment, supported by the region's deepest mid sized pipeline across Financials, Technology and Clean Energy, alongside expanding private debt opportunities in Agriculture. The country also continues to play a central role in the region's climate and private debt led energy landscape, serving as the primary base for scaled

renewable platforms and climate infrastructure deployment across East Africa. A stabilising currency environment is improving distribution visibility by reducing exit timing uncertainty and attracting wider pools of both local and international capital.

Uganda and Tanzania are set to remain the region's fastest-growing deployment markets, with investment volumes compounding at more than 25% CAGR over the last two years. Opportunities are expected to concentrate in private debt and venture capital across Fintech and Agriculture in both markets, with Consumer Services and Healthcare offering additional depth in Uganda. Venture capital inflows into Rwanda are likely to increase, reflecting the country's reform trajectory and positioning it as a compelling entry point for investors seeking frontier exposure. In Ethiopia, a growing deployment pipeline is taking shape around AgriTech and Electric Mobility, as improving institutional infrastructure converges with national priorities to build investment-ready opportunities. Across Rwanda and Ethiopia, local market expertise will remain essential to converting emerging opportunity into effective deployment and successful exits.



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### Championing Private Investment in Africa

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The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

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