



Enabling venture capital for Africa's growth

Through regulatory and policy change

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Authored by:

Lezanne Anderson

Mia Thom

Tamsyn Dekenah

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Introduction

Africa faces a persistent investment funding gap. Africa's path to prosperity requires strategic investment. However, investment is hindered by a persistent funding gap – reaching an estimated \$1.3 trillion in 2024 (UNECA, 2025). Domestic capital is constrained. 75% of domestically generated income relies on tax revenues, but tax collectors face structural barriers such as high levels of informality, corruption and narrow tax bases (ISS, 2025). To meet its investment funding needs, Africa has therefore historically relied on external funding, mostly on foreign aid. However, the composition of financial flows has shifted, with sharp drops in both aid and foreign direct investment (FDI) in recent years (ISS, 2025).

Venture Capital (VC) has a pivotal role to play in closing the gap. VC is increasingly recognised as a critical source of funding for Africa's growth enterprises – those formal businesses with the ambition and capacity to expand through external early-stage investment. Unlike traditional bank financing, VC provides risk-tolerant capital alongside strategic support that fosters innovation, scaling, and job creation while enabling solutions to local challenges (Obonyo & Zeisberger, 2024). Although FDI and other forms of capital, such as private equity and development finance, contribute to Africa's growth, VC is uniquely positioned to nurture early-stage, high-potential firms that can catalyse inclusive and sustained economic development.

Towards enabling capital for sustainable growth in Africa. There is significant opportunity to grow VC on the continent. However, there is a knowledge gap on what is needed to make VC markets work. GIZ has launched the Innovative Capital Mobilisation in Africa (ICAMA) initiative to consider what can be done to unlock VC potential towards growth enterprises in Africa. As a starting point, GIZ has partnered with Cenfri to do a literature review to identify the regulatory enablers required to support VC markets. This report highlights the main barriers facing growth enterprises and venture capital investors. It also identifies regulatory enablers that have proven effective in supporting VC market development. The aim is to help policymakers, regulators, development finance institutions (DFIs) and investors make informed decisions and take practical steps to expand VC markets across Africa to, ultimately, support sustainable growth and development¹.

¹It's important to note that Africa comprises 54 countries at different stages of market development; the barriers and enablers discussed here manifest differently across countries. In addition, information gaps remain, particularly regarding the specific impediments to capital mobilisation in individual markets,. Hence, and the findings should be interpreted as indicative rather than exhaustive.

Section 1: State of VC in Africa

Africa's VC ecosystem has expanded steadily over the past decade. As demonstrated in Figure 1 below, VC deal value and volume in Africa have increased significantly since 2015. This is largely due to innovation and digitalisation, driven by improvements in digital infrastructure, internet coverage, market size, investor protection and government effectiveness (Jaoui, Amoussou, & Kemeze, 2022). Africa was however not immune to the global capital contractions late 2022, leading to a significant downturn between 2023 and 2024 (AVCA, 2025a; Field, Cruz, & Pereira-López, 2025). Despite global stabilisation in 2024, Africa's recovery has lagged due to global and local realities including delayed transmission of global shocks, local currency volatility, and investor retreat (AVCA, 2025a).

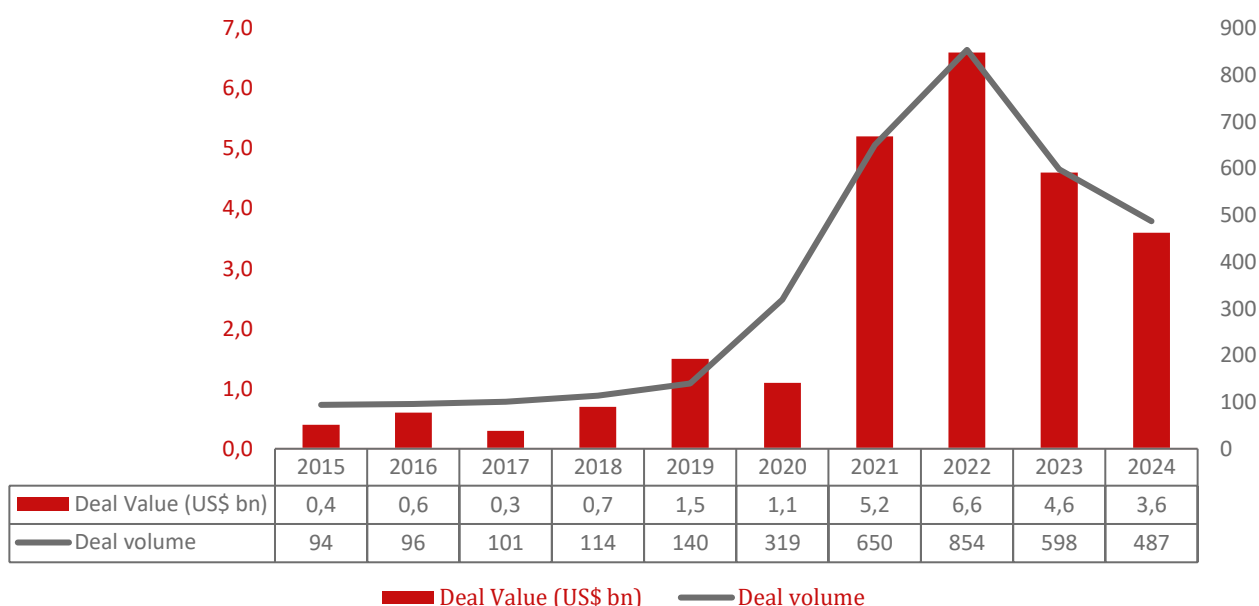


Figure 1: Trend of VC deal volume and size in Africa (2015 -2024)

Source: (AVCA, 2025a)

Investment activity in Africa remains concentrated in terms of geography and sector. VC investment in Africa remains highly concentrated across a few markets and sectors. In 2024, South Africa, Nigeria, Egypt, and Kenya, known as the Big Four, accounted for 55% of all deals and 64% of total VC value, with South Africa leading in investment value and Nigeria in deal volume (AVCA, 2025a). Other markets, such as Ghana, Morocco, Tanzania, Senegal, and Côte d'Ivoire are also gaining visibility. This signals a gradual diversification of VC investment in Africa. A significant share of capital continues to flow to Africa-focused start-ups domiciled abroad, mainly in the US and UK, who have moved here for tax and regulatory reasons. At a sector level, the financial sector remains dominant. It attracted 59% of overall venture funding in 2024 (AVCA, 2025a). Growth enterprises that involve technology are also more likely to attract venture capital, as around 80% of deals currently involve tech or tech-enabled firms (AVCA, 2025a).

There is a trend towards more Africa-based investors. History was made in 2024, when, for the first time, investors from Africa were the largest single group participating in African VC deals. African investors made up 188 of the 614 unique investors that took part in venture dealmaking

in Africa (AVCA, 2025a)². South Africa continued to lead among Africa-based investors, followed by Egypt and Nigeria. Collectively, international investors still make up the largest cluster, primarily composed of investors from North America (176 investors) and Europe (146 investors), with support from investors from Asia-Pacific (54), the Middle East (44), Latin America (5) and the Caribbean (1) (AVCA, 2025a). In terms of types of investor vehicles, private equity and VC fund managers account for the largest share (41%), followed by private equity and VC investment firms (18%), financial institutions (6%), corporate VC (5%), and accelerators or incubators (29 investors) (AVCA, 2025a).

Despite growth and investor diversification, the maturity of the VC ecosystem is hampered by limited exit options. Between 2019 and 2024 there were 138 VC exits in Africa, of which 26 were in 2024 (AVCA, 2025a). As demonstrated in Figure 2 below, there has been an increase in exits since 2020, signalling increased liquidity events and a gradual maturation of the CV ecosystem.

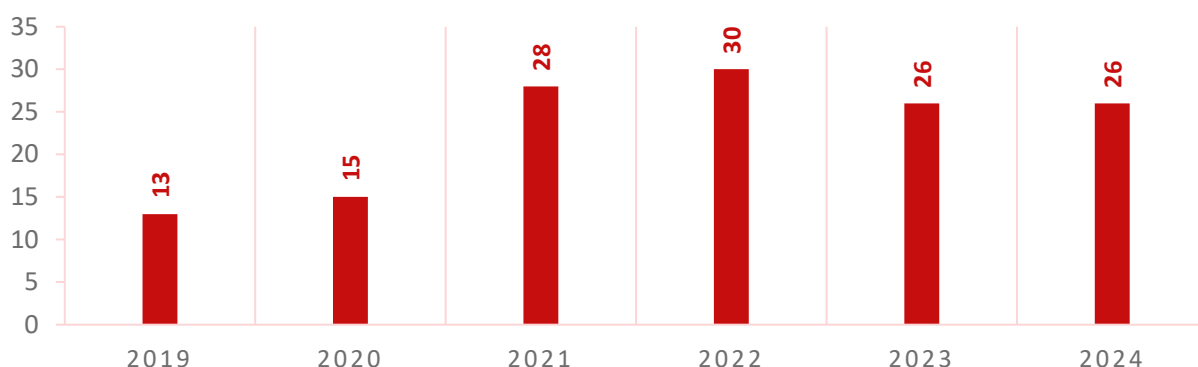


Figure 2: Volume of VC exits in Africa (2019 - 2024)

Source: (AVCA, 2025a)

Exit routes remain narrow, with approximately 80% occurring through trade sales (AVCA, 2025a) and 32% through secondary transactions (AVCA, 2025d). Initial public offerings (IPOs) remain rare, with only five recorded between 2019 and 2022, and none between 2023 and 2024.

² However, the bulk of Africa's venture capital comes from foreign investors, primarily from Europe and North America (Field, Cruz, & Pereira-López, 2025).

Section 2: Prominent barriers to VC markets

Several challenges inhibit venture capital market growth in Africa. VC markets across Africa are very different and need to be assessed individually. Nevertheless, many barriers are common across countries. Few frameworks exist that provide an overview of the key demand- and supply-side barriers on the continent and identify regulatory enablers to make venture capital markets work better. Figure 3 outlines the main barriers identified from existing literature, each of which is discussed below.

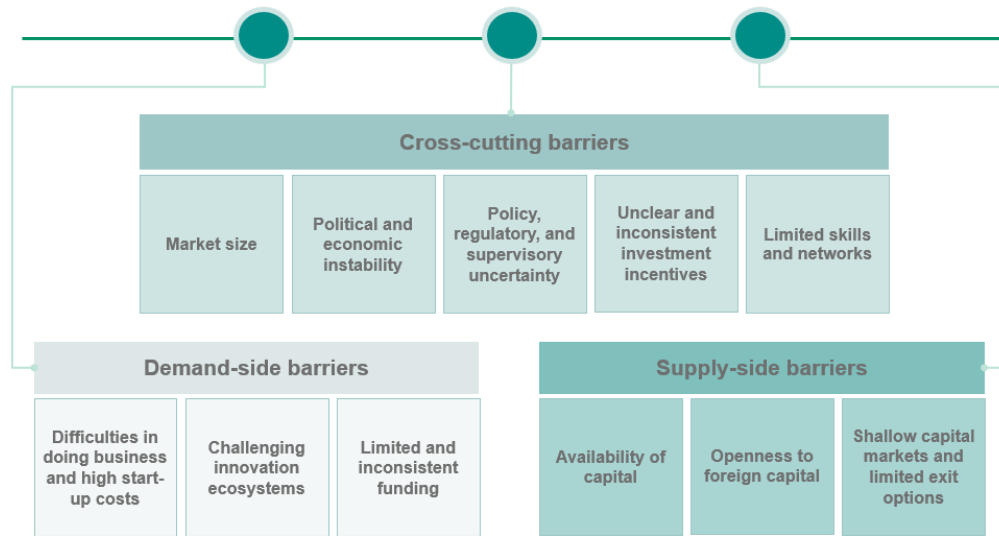


Figure 3: Barriers to VC markets in Africa

Cross cutting barriers

Cross-cutting barriers refer to the systemic challenges that affect both the demand and supply sides of capital availability and mobilisation in Africa. These barriers include:

- **Market size.** Only 18 of Africa's 54 countries has a population of more than 25 million people (World Bank, 2024b). For many major investors, African markets are perceived as too small and fragmented to yield significant returns (The Economist, 2025).
- **Political and economic instability.** The intertwined nature of politics and business often increases risk, as political instability can lead to policy volatility and short-term policy horizons, which in turn decrease investor confidence (The Economist, 2025). In many cases, the limited potential rewards can be as significant a deterrent as the presence of risk. For entrepreneurs and businesses, small and unstable markets reduce growth prospects and make expansion riskier. This discourages both funders and firms themselves, who may see limited value in seeking external financing when cash flows are uncertain, debt increases vulnerability, and the broader environment can even deter enterprise formalisation altogether.
- **Policy, regulatory and supervisory uncertainty.** Regulatory uncertainty and compliance burdens in Africa affect both enterprises seeking capital and the investors providing it, though the impacts differ across actors. Investors and entrepreneurs both face unpredictable regulatory shifts and inconsistent enforcement, which increase start-

up costs, slow business registration, and constrain growth. In addition, investors struggle with fragmented fund registration, reporting requirements, and weak inter-agency coordination, making cross-border operations costly and risky (Kuje, 2025). These challenges are compounded by gaps in regulatory transparency and weak accountability structures leading to malfeasance, fraud, and other forms of misconduct, which increases the risk associated with investment in Africa (Ruff, 2025).

- **Unclear and inconsistent investment incentives.** Many countries offer tax and other incentives to support investment in promising sectors (KPMG, 2017). Yet local and foreign investors often struggle to navigate complex and frequently changing tax incentives. Incentives are plagued by a lack of tax transparency, and regulations for key sectors of interest such as digital services and electronic transmissions are evolving, making it difficult for investors to keep up (EY, 2022; EY, 2021). Lack of clarity on incentives can also suppress the demand for capital, because businesses may be less willing or able to engage in seeking external funding if the financial benefits of doing so are uncertain.
- **Limited skills and networks.** Most VC investments are in tech-enabled sectors which are skills intensive. Thus a skills deficit on both the demand-side and the supply-side of the VC market is a particular challenge to VC growth in Africa:
 - On the demand-side, many entrepreneurs lack financial management, governance, and business development skills, including marketing, fundraising, and operational expertise, which reduces their attractiveness to investors and constrains access to funding (Kuje, 2025).
 - On the supply-side, VC fund managers often struggle to obtain and retain sufficient skills and local networks in Africa to identify and support suitable investments.

Demand side barriers

The presence of growth enterprises that can effectively utilise external capital is a critical success factor for attracting and retaining VC in Africa. These businesses require simple, low-cost business environments, supportive innovation ecosystems, and fit-for-purpose funding to thrive. Demand-side barriers for capital mobilisation are those barriers that limit the ability and willingness of businesses and entrepreneurs to seek and access funding. Over and above the cross-cutting barriers that also affect the demand for capital, as discussed above, there are at least three unique demand-side barriers:

- **Difficulties in doing business and high start-up costs.** Starting and scaling a business in Africa remains both costly and complex. Entrepreneurs face high entry costs, as starting a business in Sub-Saharan Africa costs about 36% of income per person, which is over ten times the OECD average, and requires roughly twice as many procedures as the OECD average (Clyde & Co, 2025). Each country operates distinct regulatory and licensing regimes. This means that firms that want to expand across borders must repeatedly navigate approval processes and compliance requirements. This raises costs and delays growth. While regional initiatives such as the African Continental Free Trade Area aim to harmonise business environments, implementation has been slow (Oloruntoba, 2023).
- **Challenging innovation ecosystems.** Innovation ecosystems across Africa remain highly uneven, with activity concentrated in a few established hubs such as Nigeria, Kenya, South Africa and Egypt, and some emerging markets, including Ghana and Morocco. Outside these, limited access to well-capacitated incubators, accelerators, and innovation networks constrains entrepreneurs' ability to secure high-quality mentorship, partnerships, and investor connections (Kuje, 2025). Weak intellectual property (IP) protection further limits the growth of technology-intensive firms, as poor patent enforcement reduces both defensibility and valuation potential (Kuje, 2025; Fusein,

2018). Moreover, the absence of tailored start-up frameworks or appropriately tiered regulations in most countries means that entrepreneurs operate under rules that are not necessarily fit for purpose, thus limiting flexibility and stifling innovation.

- **Limited and inconsistent funding.** Domestic sources of capital in Africa remain limited, and many growth enterprises also struggle attract and absorb available funding while facing difficulties in meeting investor requirements. This forces start-ups to rely heavily on foreign investors, who account for roughly 80% of start-up and growth funding on the continent (Field, Cruz, & Pereira-López, 2025). This dependence exposes growth enterprises to external shocks and shifts in global investor sentiment, undermining stability and long-term resilience. Although domestic fund formation is growing, progress is constrained by small fund sizes, high transaction costs, and challenges in raising follow-on capital beyond initial fund cycles (AVCA, 2025a). Furthermore, limited exit opportunities and shallow local capital markets restrict investor recycling and reinvestment, perpetuating the cycle of dependence on external financing.

Supply side barriers

Supply-side barriers for capital availability and mobilisation in Africa are obstacles that arise from the perspective of investors, financial institutions, or funding providers, which limit their ability or willingness to provide capital. The most notable supply-side barriers in addition to the cross-cutting barriers include:

- **Availability of capital.** Despite African growth enterprises relying heavily on foreign capital, Africa receives only 1% to 2% of global VC. In addition, relatively few receive significant funding (European Investment Bank, 2025). This calls for the mobilisation of local capital. However, local capital remains limited. This can be attributed to three main reasons:
 - The first is limited local savings, especially long-term saving. Sub-Saharan Africa's regional savings rate, for example, is 18%, which is significantly lower than the global average of 36%, partly due to limited disposable incomes among the youth (Miriri, 2025). The IMF has warned that this is contributing to these markets staying "shallow and underdeveloped". Low savings and shallow markets make it hard to mobilise capital. Outside South Africa, stock markets are worth less than 20% of GDP, compared with 50% in other developing regions and 126% in advanced economies (Miriri, 2025).
 - The second reason is limited allocation of institutional investor assets to private equity or VC funds, given regulatory restrictions or conservative internal policies and practices. Institutional investors such as pension and insurance funds, for example, remain the largest potential pools of local capital but are restricted by conservative asset allocation rules or conservative supervisors. In Kenya, for example, despite a 10% regulatory allowance, pension funds invest less than 1% of assets in VC/private equity due to regulatory ambiguity, limited internal capacity, and lack of viable pipelines (Baloyi, Theobald, & Kruger, 2022; Retirement Benefits Authority, 2024).
 - Lastly, capital availability is constrained by limited local asset management skills to invest local capital into alternative investments in a way that produces secure returns that outperforms alternatives such as government bonds (Clyde & Co, 2025).
- **Openness to foreign capital.** Africa's openness to investment is often constrained by a mix of regulatory and policy barriers that can deter foreign capital. Localisation requirements, such as mandatory domestic ownership or data storage, increase operational complexity for investors. Rwanda, for example, requires all personal data to be stored within the country, often causing a challenge for enterprises in sectors such as finance (DLA Piper, 2025). Foreign exchange controls and restrictions on cross-border transfers or dividend repatriation can limit the movement of capital, while inconsistent

double taxation rules add further financial uncertainty. Uneven alignment with global standards in areas like financial reporting and data protection creates additional compliance challenges. Together, these factors can reduce investor confidence and limit the availability of the external capital that growth enterprises need to scale and innovate.

- **Shallow capital markets and limited exit options.** As noted, Africa faces shallow domestic capital markets and limited exit opportunities, which constrain investment activity. The underdeveloped capital markets limit both merger and acquisition activity and opportunities for initial public offerings, making it harder for investors to realise returns. The consequence is longer investment horizons, slower capital recycling, and reduced appetite among investors for early-stage or higher-risk ventures, which in turn can slow the growth of innovative businesses and hold back emerging sectors.

Section 3: Unlocking capital in Africa: Regulatory enablers

Effective policy, regulation and supervision can overcome barriers and enable sustainable growth of VC markets. Rulemaking, guidance and oversight are spread across multiple regulators, making coordinated policies and a shared strategic vision essential to create an environment that effectively supports VC growth. Thirteen key regulatory enablers were identified from literature as set out in Figure 4 and discussed below.

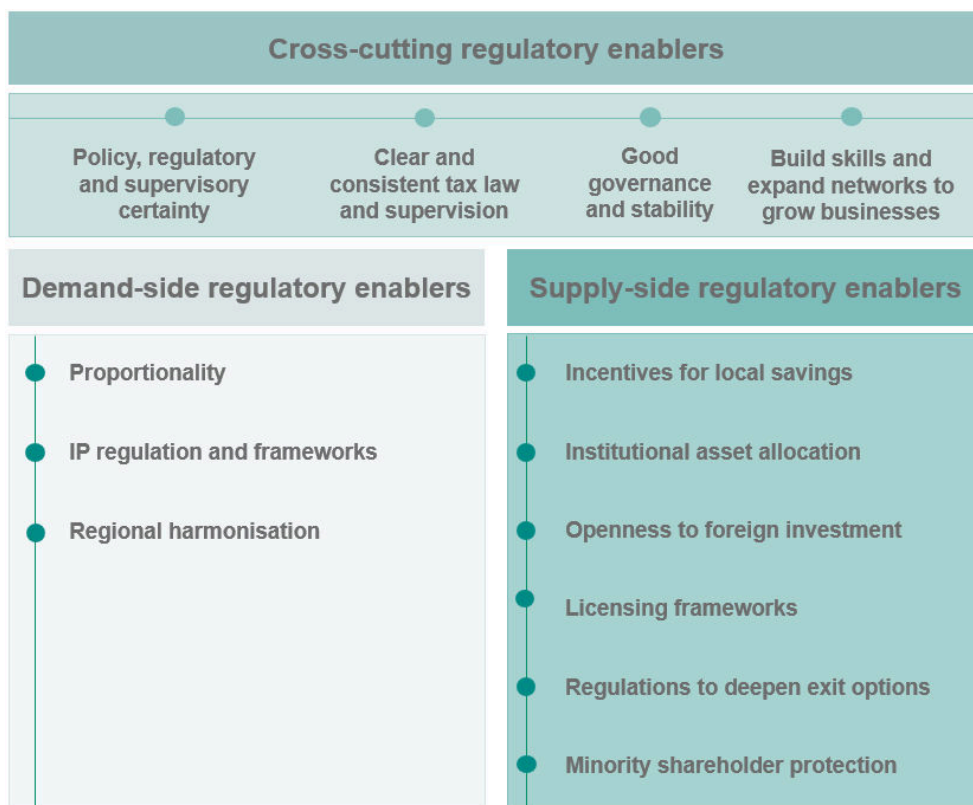


Figure 4: Regulatory enablers for capital mobilisation in Africa

Cross cutting regulatory enablers applying to growth enterprises and investors alike

Enabler 1: Policy, regulatory and supervisory certainty. A consistent theme across the continent is the importance of consistent and transparent regulatory frameworks to build investor and enterprise confidence to start businesses and invest. Currently only about 27% of sub-Saharan African economies provide full online access to laws and regulations, while 33% offer none (Clyde & Co, 2025). Even where regulations are available, many regulatory frameworks are difficult to interpret or are not consistently enforced.

Regulatory clarity and certainty enable growth enterprises to plan, scale, and access financing with confidence, knowing the rules for compliance, reporting, and capital requirements upfront, which reduces operational and financial risk. For VC funds and other local and foreign investors,

in turn, regulatory clarity and certainty make it possible to understand the licensing process with ease, assess potential returns more accurately, structure investments with confidence, and commit long-term capital, knowing that legal protections, tax treatment, and exit options are well-defined and predictable.

Simple rules with clear supervision and communication with the market best enable innovation and investment. Some regulators have used sandboxes and start-up acts as temporary instruments to overcome areas of uncertainty or to monitor and adapt rules related to new business models. Others have reviewed their regulation to simplify or clarify what is required (Beyers, Gray, & Hougaard., 2018). Some examples are set out in Table 1 below:

Enabling regulatory and supervisory certainty for growth enterprises (demand)		
Tool ³	Country	Description
Regulatory sandbox	Kenya	Gives start-ups a safe environment to test solutions aimed at underserved populations (Capital Markets Authority, n.d.).
Niche licensing	South Africa	The Financial Sector Conduct Authority started licensing crypto asset providers. As of June 2024, 138 licenses had been issued (Financial Sector Conduct Authority, 2024).
“Regulatory relief” or reduced compliance	Nigeria	Nigeria’s Securities and Exchange Commission grants crypto start-ups an “approval in principle,” enabling them to operate while under regulatory observation (Isichei, n.d.)
Enabling regulatory and supervisory certainty for investors (supply)		
Tool	Country	Description
Investment code	Senegal	In 2025, Senegal launched an Investment Code that ushers in several innovations. These include the simplification of pre-existing investment codes and laws, the digitalisation of processes, reduced processing for applications to 10 working days, and clearly demarcated fiscal and customs incentives. The code also offers guarantees to both local and foreign investors, specifically on capital transfers, currency convertibility, and mechanisms for preventing and resolving disputes (Ecofin Agency, 2025).
One-stop support office for foreign and local investors	Kenya	Kenya has KenInvest, hosted by the Kenya Investment Authority, which aims to provide investment facilitation services including liaison with other government agencies, license and permit support, research, and aftercare services (KenInvest, n.d.).
Guidance notes		KenInvest also hosts several guidance notes specifically to support investors navigate regulatory expectations in advance thereby reducing uncertainty, for example, the Investors guide to Kenya (KenInvest, 2020).

Enabling regulatory and supervisory certainty for growth enterprises and investors		
Tool	Country	Description
Start-up Act	Tunisia	The Tunisia Start-up Act is a legal framework designed to support the growth of start-ups while providing clarity and confidence for investors. Start-ups benefit from simplified administrative

³ Many of these initiatives target priority sectors such as fintech.

		<p>procedures, tax incentives, access to the Fund of Funds, and the “start-up label”, which certifies eligibility and reduces bureaucratic hurdles. Investors, both local and foreign, gain regulatory clarity, protections for their capital, clear rules for equity ownership and exit, and assurance that labelled start-ups meet governance and compliance standards. Together, these measures reduce risk, improve predictability, and facilitate long-term investment in Tunisia’s start-up ecosystem (Startup Tunisia, 2018).</p>
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Table 1: Tools for regulatory and supervisory certainty

Enabler 2: Clear and consistent tax law and supervision. A transparent and predictable tax framework is essential for markets to formalise and to attract and sustain VC investment. In addition, well-designed incentives, aligned with national development goals, can help attract local and foreign investment into priority sectors. These may include fiscal (tax and customs), financial (grants and subsidies), regulatory (exemptions or streamlined processes), research and development, and sustainability incentives (Van den Bergh, 2021; EY, 2021). Clarity on tax requirements and incentives helps ensure investors’ returns are not eroded by uncertainty or excessive taxation. Kenya again provides a useful example. Through its investment promotion agency, KenInvest, the government has enhanced the visibility of available incentives and clarified tax requirements. Examples include (KenInvest, n.d.):

- **Capital allowances:** tax deductions for capital expenditures.
- **Investment deduction:** 100% deduction on building and machinery expenses.
- **Special Economic Zones (SEZs):** incentives like 100% investment deduction, 10% corporate tax for the first 10 years, and exemptions from VAT, import duty, and stamp duty.
- **Sectoral incentives:** tailored incentives for sectors like agriculture, health, energy, and digital economy, including tax exemptions and deductions.

Enabler 3: Good governance and stability. Good governance and political stability are critical for attracting investment and fostering economic growth (Kiptoo, 2024). Effective institutions, transparency, and accountability mechanisms create trust in public and private sectors, while checks and balances and stakeholder consultation reduce the risk of sudden policy reversals (OECD, 2006). Building on this foundation, a stable policy and macroeconomic environment, sound fiscal and monetary policies, predictable incentives, and the presence of anti-corruption measures further strengthen investor confidence. While these conditions cannot be achieved overnight, consistent commitment to governance and stability ensures the predictability required for long-term investment. The absence of these can have significant consequences, from disincentivising investors to decreasing local business registrations. For example, in Kenya, the volatility in the socio-political climate, coupled with regulatory changes proposed in the Finance Bill 2024, which includes an increase in Capital Gains Tax from 5% to 15% and the introduction of a 6% digital services tax, contributed to a 7.6% decline in business registrations (AVCA, 2025a). In essence, good governance and stability create a predictable and secure environment that encourages both local and foreign investors to commit capital, while also enabling enterprises to plan, scale, and thrive.

Enabler 4: Build skills and expand networks to grow businesses. The top VC hubs in Africa are also the top innovation hubs for growth enterprises, with cities like Nairobi (Kenya), Lagos (Nigeria), and Johannesburg and Cape Town (South Africa) frequently cited in both contexts (Alonge, 2024). Africa may be able to leapfrog older generations of innovation policies (Technopolis Group, n.d.). Across Africa, innovation policy is largely anchored in the Sustainable Development Goals (SDGs), with governments viewing research and innovation as tools to

address pressing social and economic challenges. Emphasis is placed on the emerging private sector and young entrepreneurs, and countries such as Rwanda are conducting regulatory experimentation to create frameworks, such as for drone technology, that enable innovation and practical testing (Technopolis Group, n.d.). These are forward-looking initiatives. However, certain foundational regulatory policies are also needed to establish a country or city as a prominent innovation hub. These include a clear vision communicated in a national strategy such as Rwanda's ICT Hub Strategy (Ministry of Information Technology and Communications, 2024), tiered or simplified licensing, guidance notes and regulator engagements, and cross-border harmonisation. Attracting and developing the necessary skills to innovate through education curricula and foreign work visa-related policies is also key.

Demand side regulatory enablers

Enabler 5: Proportionality. As discussed, the cost and uncertainty of compliance can deter local entrepreneurs. Addressing these barriers requires clear, proportionate, and innovation-friendly regulations. Risk-based approaches to licensing financial service providers, often fintech payment service providers, is a good example. Ghana has introduced six fintech license categories for Payment Service Providers, including three tiers for Payment Service Providers (Standard, Medium, Enhanced) (AfricaNenda, 2024). Since the Act came into effect, the Bank of Ghana has issued 46 licenses, mostly in the enhanced Payment Service Provider category. This tiered approach allows the regulator to align oversight with risk levels and enables smaller PSPs to scale gradually, applying for higher-tier licenses as they expand their activities (AfricaNenda, 2024). Collectively, these initiatives create a more enabling environment for entrepreneurs while fostering investment and innovation. They also help start-ups build the governance and compliance structures needed to go public, allowing investors to buy and sell shares and further support growth.

Enabler 6: IP regulation and frameworks. IP underpins technology enabled business models, which account for the largest share of VC investment. Most African countries have their own legal and institutional framework for IP enforcement. In addition, they are supported by Africa's two regional intellectual property organisations, which have sought to create a degree of regulatory harmonisation (European Commission, n.d.). These two institutions are the Organisation Africaine de la Propriété Intellectuelle, which covers 17 mainly French-speaking countries, and African Regional Intellectual Property Organisation, which covers 19 African countries (Lex Africa, n.d.). Effective implementation of local and regional IP rules is needed to foster tech innovation and related investment (World Intellectual Property Organization, 2017)).

Supply side regulatory enablers

Enabler 8: Incentives for local savings. Local capital is key for local capital market development, as it is typically lower cost, denominated in the local currency and less volatile than foreign investment. Local investment also plays a role to de-risk foreign investment as it can better leverage local knowledge and networks. However, as discussed, formal long-term savings are growing off a small base across Africa (UNECA, 2020). This necessitates incentives for local savings to increase local capital available for investment. Tax incentives for long-term savings and effective retirement fund regulations have been effective at growing long-term local savings and as result long-term local capital.

Several types of local institutions play a role in incentivising local savings. These include commercial banks, microfinance institutions, contractual savings institutions (like pension funds

and insurance companies), and community-based organisations like village savings and loan associations. However, the role that they play differs significantly in terms of the type of capital mobilised (long- or short-term), the scale of savings, and coverage. Pension funds are widely recognised as the single largest pool of domestic long-term capital in Africa (Attah-Mensah, 2025). Data and research on the topic are limited, but a recent study estimates Africa's pension funds to hold approximately \$455 billion in assets (Anyanzwa, 2025). For example:

- South Africa has of the largest and oldest formal pension sector in Africa, with total pension assets of \$257bn at the end of 2024, the equivalent of 57% of the country's GDP (Jooste, 2025) (BBC, n.d.). Contributions to pensions and annuities are tax deductible up to a certain level. Moreover, tax-free savings accounts have been established that allow individuals to save/invest up to a threshold amount and earn returns without paying income tax, dividends tax, or capital gains tax on those returns (South African Revenue Service, 2015).
- Ghana established a mandatory three-tiered pension system in 2008, which has since generated \$8bn in capital (Financial Stability Council, 2024; Government of Ghana, 2008)⁴.
- Kenya incentivises the use of pension and retirement benefit schemes by making them tax deductible and making investment income earned within such retirement schemes exempt from tax (Kenya Revenue Authority, n.d.).

Growing long-term local capital can help to:

- **De-risk and crowd in foreign investment.** Growing long-term local capital strengthens investor confidence by signalling stability and shared risk. When domestic institutions such as pension and sovereign wealth funds invest locally, they demonstrate commitment and absorb part of the risk, which encourages foreign investors to participate. Local co-investment also improves governance and transparency, creating a more credible and attractive investment environment. Collectively, Africa's domestic institutions are estimated to hold approximately \$4 trillion in capital of which a significant portion can be leveraged for investment (Miriri, 2025).
- **Enhance the skills and capacity of local fund managers.** Managing long-term domestic capital allows local fund managers to build expertise in complex transactions, risk assessment, and portfolio management. This experience strengthens their ability to attract additional capital, structure deals, and identify investment opportunities suited to African markets. Capacity-building initiatives and regulatory support further professionalise the industry, improving asset allocation and fund governance.
- **Ease demand-side constraints.** Long-term local capital can help overcome key barriers that limit African businesses' ability to access and utilise funding, including high start-up costs, complex regulations, and uneven innovation ecosystems. Local investors, being more familiar with these challenges, are better positioned to provide patient, appropriately structured funding that supports businesses in scaling, building track records, and navigating regulatory hurdles. Over time, this strengthens the pipeline of investable enterprises, reduces dependence on foreign capital, and fosters a more resilient, self-sustaining ecosystem.

Enabler 9: Institutional asset allocation. Local institutions, such as pension funds, insurance schemes and local development banks hold most long-term local capital, but asset allocation

⁴ Ghana's three-tier pension system includes two mandatory tiers and one voluntary tier. The first tier, managed by Social Security and National Insurance Trust, is a basic national social security scheme. The second tier is a mandatory, privately managed occupational pension offering higher lump-sum benefits. The third tier is voluntary, covering personal pensions and provident funds to encourage additional savings for both formal and informal workers (NPRA, n.d.).

regulation can limit their ability to invest in private equity or VC funds. To encourage more sustainable investment into private equity, regulators need to consider the regulatory limits on asset classes as well as the risk those assets pose to clients (pension fund members, depositors or insurance policy holders):

- **Asset allocation regulation:** Pensions regulation is key as pensions own the largest share of institutional long-term local capital in most African markets. A study by FSD Africa found that regulation in most Southern African countries limit pension funds to invest a maximum of 1-15% of their portfolio in private equity, and that actual allocation is far below these limits (Baloyi, Theobald, & Kruger, 2022). Ghana has recently implemented a minimum or floor allocation of pension assets to private equity and venture capital of 5% (Gacheru, 2025). A minimum allocation makes significant capital available for private equity, but may not safeguard pensioner interests if there are insufficient safe investment opportunities in a nascent private equity market. Caps allow markets to develop over time, although this development may be slow. Insurers and banks have different frameworks for asset allocation, including for risk weighting. Penalties for higher-risk investments such as private equity can result in conservative allocations, unless de-risking approaches are recognised in the weighting.
- **De-risking investments into private equity:** Responsible investment guidelines, corporate or trustee governance requirements and effective intermediary regulations to govern the asset management industry can improve the overall safety of the industry for investors (UNDP, 2025). Pension or retirement fund laws with effective trustee governance requirements, including fiduciary duties of trustees, are key enablers to set minimum requirements for safe investment strategies. Environmental, social and governance requirements which set out further governance requirements for responsible investing (e.g. South Africa's Code for Responsible Investing) are also increasingly common (CRISA, 2022; Dentons, 2023). Furthermore, regulation that supports reliable investment valuation and pricing of private equity or alternative assets is key to support pricing to allow the asset-liability matching required by most institutional investors. Finally, policy and regulation that enable greater use of instruments such as guarantees or ratings (credit ratings and investment risk ratings) can further de-risk private equity investments.
- **Pooled instruments that offer diversification.** Regulation that enables investing into pooled vehicles such as collective investment schemes or Fund-of-Funds can further de-risk private equity investment for institutional investors. Such models spread investment risk across multiple underlying funds, sectors, and geographies. In this way they diversify funds and reduce exposure to failure, leverage proper due diligence and the support of an experienced fund manager, and often allow for knowledge transfer from the fund manager to local fund managers. Ghana, for example, has a Fund of Funds (Ci-Gaba), which is a local currency, de-risked fund, with 70 per cent of capital coming from domestic pensions and 30 per cent from catalytic funding (Olatunji, 2024). While the emphasis here is on regulatory enablers for pooled vehicles and geographic diversification, it is worth noting that funds like Ci-Gaba may also diversify across asset classes, such as venture capital, private equity, SME, and private debt funds. which can further support liquidity management and reduce perceived risk for institutional investors.

Enabler 10: Openness to foreign investment. 80% of Africa's VC still comes from foreign sources (Field, Cruz, & Pereira-López, 2025). Regulation that encourages foreign investment is key to attract such capital. Such regulatory initiatives include:

- **Effective foreign exchange (FX) regulations** are essential to incentivise foreign investment. While FX volatility is often discussed in the context of macroeconomic stability, the primary concern for foreign investors is the presence of restrictions on

cross-border payments, including capital repatriation, dividend distributions, and management fees. Such restrictions can significantly impede investment flows and operational flexibility. In South Africa, for instance, repatriation of dividends to foreign parent companies requires prior approval from exchange control authorities. This process involves submitting various documents, including a fair value letter from the company's auditor, which can be time-consuming and administratively burdensome (Baker McKenzie, n.d.). Another example is the Central African Economic and Monetary Community (CEMAC), which enforces stringent FX regulations, requiring export proceeds exceeding 5 million CFA francs to be repatriated within 150 days. These measures, aimed at maintaining currency stability, can pose challenges for investors seeking timely access to their funds (Norton Rose Fulbright, 2019).

- **Local ownership requirements.** Ownership regulations and local director requirements can either facilitate or pose challenges to foreign investors, depending on the country's policies. In South Africa, for example, while there is no general mandate for foreign companies to have local directors or shareholders, the Broad-Based Black Economic Empowerment (B-BBEE) Act introduces incentives that encourage local ownership and participation (Chaplin & Wesson, 2025). The B-BBEE scorecard assigns significant weight to the ownership element, requiring a minimum of 40% compliance to avoid penalties, thereby incentivising companies to include local directors and shareholders to improve their B-BBEE ratings (Chaplin & Wesson, 2025). In Rwanda, on the other hand, 100% foreign ownership is permitted without imposing local director requirements for most sectors. However, for certain investment incentives, such as preferential tax rates, the Investment Law stipulates that entities must have at least two professional or qualified Rwandan resident members on their Board of Directors (UNCTAD, 2021).
- **Tax requirements.** Tax requirements should create a predictable, fair, and cost efficient environment for investors. There are a few policies, or requirements, that make a significant impact:
 - The first is double tax agreements (DTAs) and border dividend taxation. These prevent the same income from being taxed twice (once in the home country and once in the host country) and reduce taxes on repatriated profits, respectively. Mauritius, for example has 45 DTAs in place with more awaiting ratification or being under negotiation (IMARA, n.d.). These have been designed to: eliminate double taxation; reduce withholding taxes on dividends, interest and royalties; exempt investors from capital gains tax; and even potentially exempt them from interest on payments on loans (IMARA, n.d.). This has contributed to Mauritius being a leading country in terms of the number of investment funds domiciled there, hosting 946 funds (both open-ended and closed-end) (AVCA, 2023; Chambers and Partners, 2025b).
 - The second is transfer pricing rules, which ensure tax fairness and certainty while reducing tax related disputes (EY, 2025). Kenya, for example, has adopted the OECD-aligned transfer pricing frameworks in its Finance Act (2025), effective from 1 January 2026. The act introduces a formal Advance Pricing Agreement framework under which taxpayers (including investors) can agree in advance with the Kenya Revenue Authority on the transfer pricing methodology for related-party transactions (EY, 2025).
 - A third policy to consider is fiscal incentives for foreign investors. Mauritius, for example, has a very favourable holding company environment due to its partial exemption regime (80% on certain income streams, including interest income and foreign-sourced dividends) and no capital gains tax (OffShore, 2025).
- **Restrictions on cross-border activities.** A supportive regulatory environment for local data storage, for example, fosters local digital ecosystems and economic development. This involves both removing overly restrictive regulations that may prevent local growth enterprises from scaling, as well as creating a robust, secure and data friendly environment that attracts foreign investors and companies. South Africa, for example is

the only country where Amazon, Microsoft, and Google have built their own data centres due to its supportive regulatory environment and dynamic technology sector (Dosunmu, 2025).

Enabler 11: Licensing frameworks. Venture capital structures are licensed differently across different markets. Licensing frameworks that provide regulatory certainty and reduce compliance risk, enable efficient fund structuring and encourage growth. Transparent rules around fund registration, reporting, and marketing protect both managers and investors, while predictable frameworks make it easier to raise capital, scale operations, and execute exit strategies. By lowering perceived regulatory and operational risk, well-defined frameworks help attract both local and foreign investment into African markets. For example, in 2025, Uganda brought private equity funds within the Capital Markets Authority’s licensing framework, thereby addressing a long-standing regulatory gap (Ortus Advocates, 2025). The regulations support the Limited Liability Partnership structure, under the Partnerships Regulations (2025), which forms a core part of Uganda’s capital markets legal framework. By recognising diverse legal structures for private equity funds, these reforms provide clarity for structuring partnerships and partnership operations, and demonstrate a practical, investor-focused approach to supporting private capital vehicles (Ortus Advocates, 2025). Table 2 below provides an overview of how the leading investment markets in Africa have gone about licensing VC funds:

Country	Licensing (fund/manager)
Egypt	Licensing is mandatory for VC entities (such as joint stock companies or closed liability companies) and for fund structures (such as private offering funds or general partner-limited partner (GP-LP) structures via company-by-shares) (Chambers and Partners, 2025a).
Kenya	Both fund and manager must obtain Capital Markets Authority approval to operate as an alternative investment fund (The Republic of Kenya, 2023).
Mauritius	Mauritius has a comprehensive investment fund licensing framework regulated by the Financial Services Commission under the Securities Act of 2005. The framework covers both retail funds and alternative investment funds (AIFs). AIFs are authorised as investment funds and further classified as expert funds or professional collective investment schemes (CISs), available only to sophisticated investors and high-net-worth individuals, and are exempt from the stricter rules governing retail funds. Retail funds, by contrast, are open to the public and regulated as open-ended collective investment schemes (CISs) or closed-end funds (CEFs). The Financial Service Commission has also introduced additional categories, including special purpose funds and real estate investment trusts (REITs), to broaden the scope of investment options (Chambers and Partners, 2025b).
Nigeria	Funds must register as collective investment schemes; managers must be SEC-authorized. Foreign funds must obtain SEC approval before marketing in Nigeria (Mondaq, 2025)
South Africa	Managers require a Financial Advisory and Intermediary Services Act (FAIS) (Category II) license. Funds are generally not licensed unless offered to the public (in which case the Collective Investment Schemes Control Act (CISCA) applies) (Lyra Consulting, n.d.).

Table 2: Approaches to licensing VC funds

Enabler 12: Regulations to deepen exit options. Regulations and policy frameworks that deepen capital markets can improve exit options, which are a key part of the VC investment decision. Enabling regulation includes the below:

- **Regulations and initiatives supporting public listings** such as clear requirements and rules for listing private companies on local stock exchanges help VC-backed start-ups

transition to public markets (FSD Africa, 2021). These are usually captured in national securities laws and specific stock exchange rules. However, additional guidance can be provided to strengthen clarity. For example, the Johannesburg Stock Exchange (JSE) main board was restructured into a prime segment and a general segment, in addition to the existing alternative exchange (commonly referred to as the AltX) board. The general segment was created to give medium-sized companies greater regulatory flexibility while maintaining investor confidence in disclosures, in an attempt to encourage more listings on the JSE. This change followed a simplification project, which sought to clarify listing requirements, reduce red tape, and make compliance more straightforward (Global Legal Insights, 2025).

- **Reducing prohibitive costs**, especially in terms of compliance and governance costs, as well as on-going reporting costs, which drive up the transaction cost for investing into a share. The cost of trading on African exchanges is significantly higher than in developed markets, mainly due to low market liquidity, limited competition among brokers, and additional taxes or fees which force brokers to charge higher commissions to cover their operating costs (Bright Africa, n.d.). On at least five African stock exchanges the cost for a share exceeds 3% of the total transaction cost, and on at least four stock exchanges it exceeds 2% (FSD Africa, 2021). Both Zimbabwe and Uganda, for example, have trading costs that exceed 4% of the total transaction cost (Bright Africa, n.d.). Such high transaction costs deter trading which reduces the liquidity of the secondary market which impacts asset valuation and institutional investment. High listing and trading costs on stock exchanges can discourage IPOs and limit the size of the secondary market. This has an impact on exit routes for VC and private equity investors, which in turn reduces liquidity and makes it harder for institutional investors to realise returns.
- **Enhance access to reliable data**. Inconsistent access to data inflates due diligence costs⁵, complicates asset valuation, and fuels misconceptions about investing in Africa. Collectively, these factors discourage the very capital the continent needs. Addressing these barriers is critical for African nations to build a self-sustaining investment ecosystem that attracts and retains long-term capital (Koch, 2022). Enhancing access to reliable data also plays an essential role in reducing information asymmetry, which will increase investor confidence and reduce adverse selection, where high-risk companies benefit from being grouped with low-risk ones (Asongu, Nwachukwu, & Tchamyou, 2016).

Enabler 13: Minority shareholder protection. Most VC investments are through minority shareholding, which is vulnerable to abuse if not protected. Regulation can grant minority shareholders the ability to influence governance, business strategy, and dividend policies, or to require approval for material decisions. Doing so prevents situations where they might otherwise lose control or even lose the value of their investment entirely. Protection for minority shareholders also impacts exit pathways during mergers, acquisitions, or IPOs, which in turn increases investor confidence. These protections are typically captured in Companies Acts. For example, Rwanda's 2017 Companies Act has a 'Buyout' section which grants minority shareholders the right to require the company to purchase their shares under certain conditions (Clifford Chance, 2018). Specifically, if a minority shareholder votes against a resolution that is subsequently passed, such as changes to the company's constitution, variations in share rights, or approval of major transactions, they can initiate a buyout by notifying the company (Clifford

⁵ Key types of data that would help reduce due diligence costs and build investor confidence includes company financial statements (income, balance sheet, cash flows), valuations and exit-track record of comparable deals, sector-level market size and growth metrics, operating metrics (e.g., customer growth, retention, unit economics), key performance indicator benchmarks for similar companies, and portfolio-company reporting on environmental, social and governance (ESG) outcomes (Environmental Finance, 2025)

Chance, 2018). This creates predictable exit options, which is especially critical in markets with limited secondary markets or low IPO activity.

Section 4: The opportunity – what's next

From this review, three interdependent imperatives emerge to advance VC market development across Africa: 1) grow VC capital pools; 2) deepen the local skills and networks to use such funds; and 3) implement regulatory enablers to strengthen VC markets.

Regulatory certainty, clear rule of law, local capital allocation to private equity and VC funds, and openness to foreign investment are all particularly significant enablers of these imperatives. Yet, there are no silver bullets to making markets work - progress requires vision, patience, and strong partnerships across the VC ecosystem.

To do so, more work is needed to unpack country-specific and regional VC market dynamics and priorities. ICAMA and Cenfri have developed a self-assessment tool to help stakeholders identify key regulatory enablers and assess the extent to which they are in place within a country. The tool is designed not to rank countries, but to indicate where support may be needed and to spark dialogue on how to strengthen VC ecosystems across Africa.

We welcome opportunities to work with partners that share their vision and want to co-create to better mobilise capital for growth firms across Africa.

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Friedrich-Ebert-Allee 40
53113 Bonn, Germany
Phone: +49 228 44 60-0
Fax: +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
Phone: +49 61 96 79-0
Fax: +49 61 96 79-11 15
Email: info@giz.de
Internet: www.giz.de

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Responsible for the content

Anna-Sophia Elm
(anna-sophia.elm@giz.de)
Ulrich Hess (ulrich.hess@giz.de)

Design

Joshua Hill
(joshua@cenfri.org)

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