

VENTURE
CAPITAL

Uganda overtakes Rwanda, Tanzania in startup funding

The rise signals a shifting investment map in East Africa, as investor confidence reshapes an increasingly competitive startup space.

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VINCENT OWINO

Uganda has overtaken Rwanda and Tanzania as a leading destination for startup funding in East Africa.

This marks a shift in regional investment dynamics driven by rising investor confidence and stronger local backing.

For the first time, Uganda-based startups attracted more venture capital than their counterparts in Rwanda and Tanzania. In 2025, Ugandan startups raised \$30m from global investors, surpassing Rwanda's \$12m and Tanzania's \$5m.

Data from the African Venture Capital Association (AVCA), shows that Uganda's funding increased more than seven-fold from \$4m, with the number of deals doubling from 10 to 22. This reflects both increased investor activity and a growing pipeline of investable ventures.

Rwanda recorded a decline in deal volume, falling from 10 to six, but the total value of investments more than doubled from \$5m in 2024, indicating a concentration of capital in fewer, larger deals.

Tanzania was the region's weakest performer. Startup funding dropped more than eight-fold from \$41m, even though the number of deals rose from eight to nine. Analysts attribute Uganda's rise to a combination of foreign and domestic support. Pan-African investors are increasingly viewing Uganda as a viable secondary hub. "Uganda's startup scene is emerging as a hub for foreign investment, particularly in fintech," said Allan Ananura, founder of iVenture Africa.

A 2024 survey by the East African Venture Capital Association found that 31 percent of African investors now prioritise Uganda, Ghana, Rwanda and Senegal as a secondary investment destination.

Local financing has also played a key role, with Uganda Development Bank (UDB) expanding its support for startups, increasing access to seed and growth capital. Last year, UDB invested \$3m electric vehicle manufacturer Gogo Electric, the company's largest funding round so far, which subsequently attracted an additional \$1m from EU-backed EDFI Electric. Traditionally focused on small and



Uganda's startups raised \$30m in 2025, overtaking Rwanda and Tanzania as investor confidence, government incentives, and rising venture debt reshape East Africa's shifting startup funding landscape. PHOTO/FILE

medium enterprises, UDB has recently earmarked up to \$7m for private equity and venture capital initiatives.

"Through UDB, government is supporting businesses with patient, long-term capital, a cornerstone of our transformation agenda," Finance Minister Matia Kasajja said last year.

Government policy has also shifted in favor of startups. Uganda introduced a three-year tax holiday for companies launched after July 1, aimed at encourag-

ing innovation and formalisation of new ventures. In contrast, Tanzania's regulatory environment is widely seen as less predictable, discouraging long-term investment. Many Tanzanian startups operate in agritech and healthtech, sectors that typically attract smaller venture capital tickets.

"Startups face unpredictable regulations that discourage investors from committing long term. Government reforms, including tax incentives and easi-

er cross-border payments, are necessary," entrepreneur Michael Nyamwero told *The Citizen*. Rwanda's funding has largely flowed into fintech and electric mobility companies such as Kayko and Amper-sand, despite declining deal volumes.

Within Eastern Africa, Uganda now ranks second in attracting startup capital, overtaking Rwanda, Tanzania, Ethiopia and Seychelles. However, the broader region trails North and Southern Africa in overall funding value.

Key figures

\$30m

In 2025, Ugandan startups raised \$30m from global investors, surpassing Rwanda's \$12m and Tanzania's \$5m.

22

The number of deals doubled from 10 to 22, which reflects both increased investor activity and a growing pipeline of investable ventures.

East African startups raised \$405m in total in 2025, slightly down from \$413m the previous year. Kenyan startups accounted for 82 percent of the total, maintaining the country's dominance as the region's primary investment hub.

AVCA noted a major structural shift in funding patterns, noting that: "Venture debt emerged as the defining feature of the ecosystem". Debt accounted for nearly one-third of deal volume and more than two-thirds of total deal value, making East Africa the continent's most active region for venture debt and the only one where it surpassed equity funding in 2025. Some experts warn that the growing reliance on debt places pressure on founders and may signal greater investor caution.

"Debt comes with pressure because repayment timelines are strict, yet regulatory unpredictability makes financial planning difficult," said Mercy Kimalat, chief executive of the Association of Startup and SME Enablers in Kenya. Despite these concerns, observers remain optimistic about Uganda's trajectory.

"This isn't just about one good year. The underlying structure suggests Uganda's tech startups could challenge the established narrative about Africa's next innovation hub," wrote scholar Muktar Mola.

If current momentum continues, Uganda could increasingly feature alongside Nigeria and Kenya in conversations about the continent's leading startup ecosystems.