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ThirdWay *Partners*

Tanzania's early-growth SME Ecosystem

Market landscape & capital access assessment

July 2026



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Context & overview: Tanzania offers a growing but under-capitalised early - growth SME ecosystem; this report maps the landscape & identifies key capital access gaps

Purpose: This report presents a **market landscape assessment of Tanzania’s early-growth SME ecosystem**, developed in collaboration between the Swiss Agency for Development and Cooperation (SDC) and ThirdWay Partners (TWP). It focuses on access to early- and growth-stage capital and forms part of a broader effort to inform the design of a market-tested blended finance fund for Tanzanian start-ups

Scope of analysis:

-  **Ecosystem structure:** Overview of key players, stage distribution, and support available to early-growth SMEs across the lifecycle
-  **Funding landscape:** Analysis of deal volumes, funding instruments, key funders, and recent transaction trends
-  **Capital access gaps:** Identification of gaps between funding needs & available capital across stages, instruments, and ticket sizes
-  **Sector dynamics:** Assessment of priority sectors, historical funding patterns, and indicative pipeline opportunities and needs
-  **Policy constraints:** Review of regulatory, policy, and structural barriers affecting capital flows, early- to growth-stage SMEs growth, and deployment

Methodology: Findings draw on desk research (including ecosystem reports, regulatory documents, and deal databases) and stakeholder interviews with investors, founders, entrepreneur support organisations (s), and ecosystem facilitators conducted in 2026

Sources used

- Desk research: Africa Big Deal Database, Crunchbase, FUNGUO Landscape Study, TSA Ecosystem Status Reports, AVCA 2024, among others
- Stakeholder interviews: FSD Tanzania, Tanzania Startup Association (TSA), Anjarwalla & Khanna (A&K), Daraja Impact, FUNGUO Programme, Ennovate Ventures, Sagana, and the European Union



Startup definition: Tanzania lacks a formal legal definition, so this study adopts a working definition grounded in innovation, growth, and traction



Definition for this study

An entity that is relatively new or in the early- to growth-stage, is built around innovation, demonstrates potential for rapid growth and scalability, and shows measurable traction



Tanzania's first startup policy is currently in draft stage. In its absence, institutions apply varied definitions, consistently anchored in three common themes: innovation, growth potential, and traction

Definitions (select examples)



“An early-stage innovative enterprise designed to create scalable and sustainable business models, typically leveraging technology or new business approaches”



“A new firm or entrant with high growth potential, mostly based on the perceived potential for growth and innovation”



“Early-stage businesses in innovation, investment, and scalability,” and Vodacom’s programme targets “early-stage and growth-stage technology start-ups with disruptive products and services”



“Formally registered, post-MVP, revenue-generating entities in the sectors”



“Start-ups are typically small, but sometimes fast-growing businesses that are trying to develop a unique product or service, or to bring new technology or ideas to the market to cure certain problems in the community”- Article written by Hamza Lule- legal counsel in Dar Es Salaam

Executive summary: Tanzania presents a clear, underserved early- to growth-stage capital opportunity, with a defined gap well-suited to blended finance

Six findings define Tanzania's early-growth SME capital gap and the case for targeted blended finance intervention

- 

Tanzania's early- to growth-stage SME ecosystem is expanding rapidly, creating a pipeline of investable opportunities, but remains heavily concentrated in early-stage SMEs. Startup numbers grew 23% between 2023 and 2024 to over 1,000, yet ~75% are early stage and ~70% were pre-revenue in 2024, pointing to strong pipeline growth but limited progression to scale
- 

Tanzania remains underpenetrated within African venture markets, positioning it as an emerging opportunity outside core funding corridors. It captures ~1% of Africa's startup capital versus ~US\$4.5bn+ in leading markets such as Kenya, Nigeria, South Africa, and Egypt, highlighting both structural undercapitalization and potential for first-mover advantage
- 

Deal activity is increasing, but ticket sizes remain constrained, limiting scale-up potential. Transactions grew from 6 in 2020 to 35 in 2024, demonstrating improving ecosystem activity. However, over 80% remain below US\$250k, with limited activity in the US\$250k to US\$2mn range, constraining early-growth SMEs' ability to transition from early- to growth-stage
- 

The funding mix is heavily grant-led, with equity concentrated in early rounds and limited scale-up capital. Grants account for over half of number of deals and drive early-stage activity. Equity provides most of the capital but is concentrated in pre-seed and seed rounds, with limited deals beyond seed funding, indicating a clear gap in scale-up financing
- 

Sector activity is concentrated in fintech, but scalable opportunities extend beyond a single sector. Capital flows are concentrated in fintech, reflecting investor familiarity and perceived growth opportunity. However, sectors such as energy, healthcare, and agriculture remain undercapitalised relative to their importance, highlighting both clear entry points and broader diversification opportunities across the ecosystem
- 

Structural constraints limit capital deployment but are identifiable and addressable. A limited pipeline of investment-ready early- to growth-stage SMEs, an underdeveloped domestic investor base, regulatory friction for smaller tickets, absence of a functioning exit market, and ecosystem capability gaps collectively constrain capital flows, but also define clear areas for targeted intervention

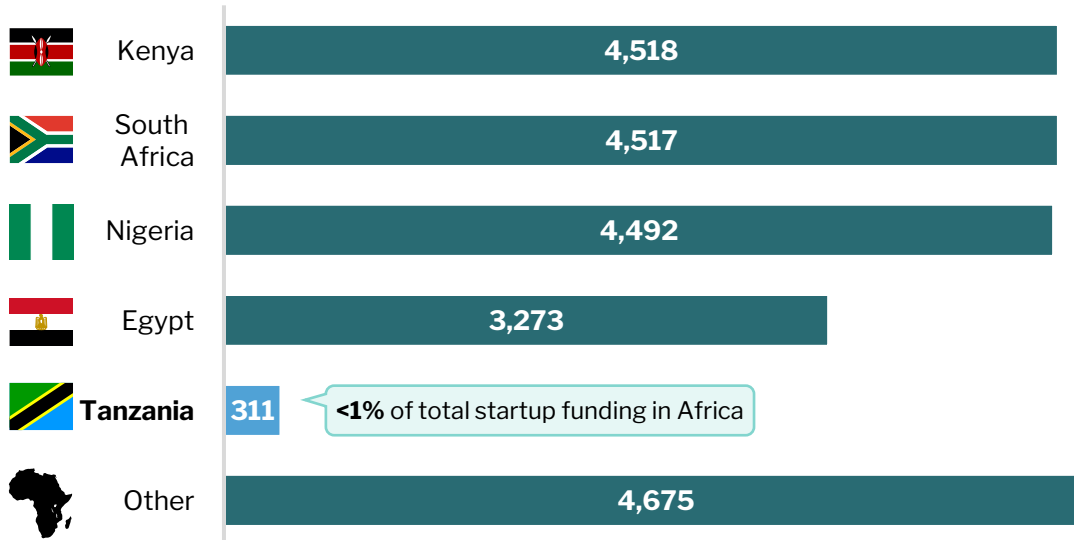


These **findings point to a specific, bounded market gap**, concentrated in the US\$250k–US\$2mn ticket range, spanning seed-to-growth-stage, **that blended finance is well-positioned to address** by reducing first-loss risk and crowding in private capital where it currently does not flow

Africa context: Africa's startup capital is concentrated in core markets and asset-light sectors, leaving Tanzania underpenetrated and reinforcing the need for de-risking

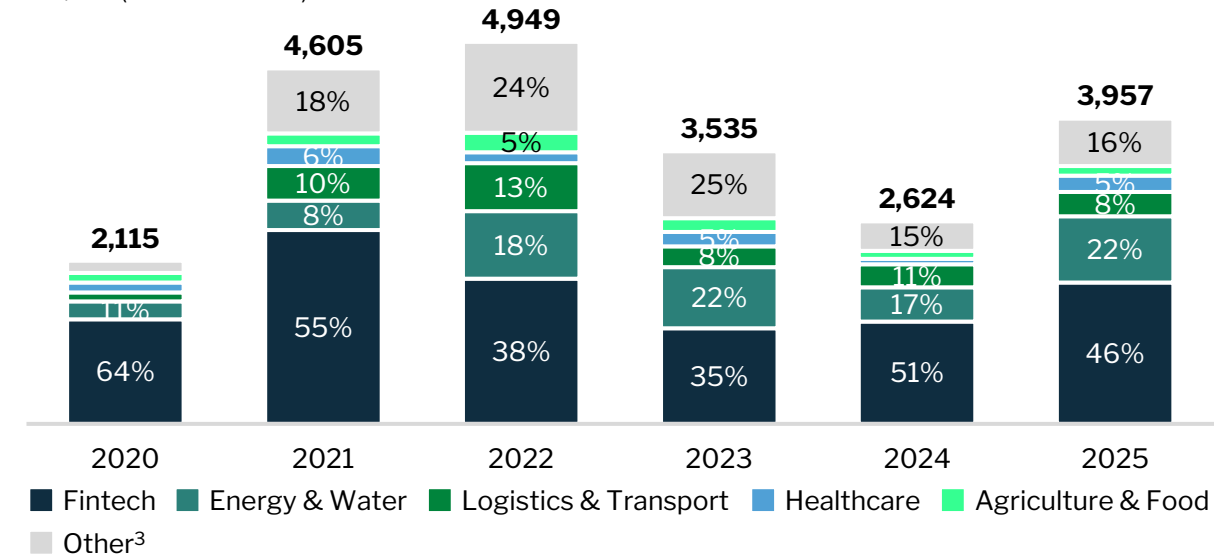
Startup capital is concentrated in the Big 4, with Tanzania capturing <1% despite being a large regional economy¹

Total startup capital raised in Africa by country
US\$mn (2020 to 2025)



Capital is concentrated in asset-light sectors – fintech dominates, while agriculture, healthcare, & logistics remain underfunded

Total startup capital raised in Africa by sector²
US\$mn (2020 to 2025)



Tanzania sits outside core investment markets, and its key sectors remain underrepresented in capital allocation, limiting capital inflows; unlocking investment requires targeted de-risking mechanisms to crowd in private capital (e.g. blended finance fund)

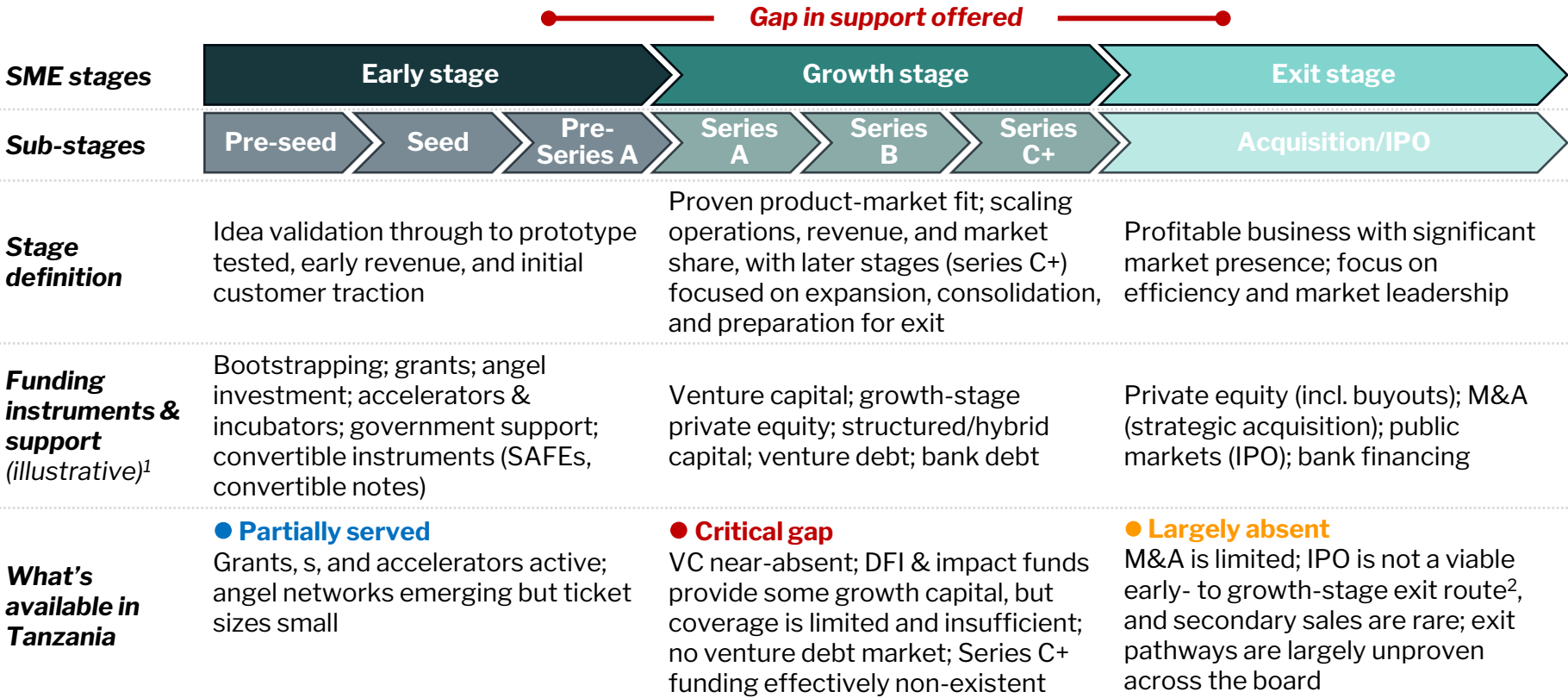
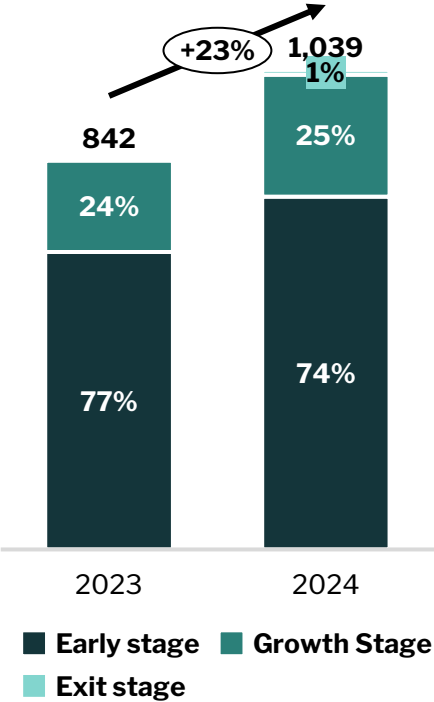
- **~77% of capital flows to Kenya, Nigeria, South Africa, and Egypt**, which benefit from scale, investor depth, and established exit track records; **Tanzania captures <1%** despite materially larger economic footprint (~3–4% of SSA GDP), highlighting structural underallocation
- **Capital is concentrated in asset-light sectors, with fintech capturing ~38%–64%**, while **sectors central to Tanzania's economy, particularly agriculture, remain underfunded** relative to their economic importance
- **Capital allocation reflects investor risk-return preferences**, with flows concentrated in markets and sectors with more established deployment pathways; Tanzania's ecosystem is growing but not yet fully translating into capital at scale. There was a decline in startup capital raised over recent years showing that ecosystem growth has not yet converted into investment at scale

Tanzania's ecosystem: Tanzania's early- to growth-stage SME base is growing, but ~75% at early stage, and the mechanisms to support growth-stage are critically absent

While the number of start-ups is growing, most are early stage...

...and funding support is limited at the growth stage, exactly when early- to growth-stage SMEs need patient capital most

Number of start-ups in Tanzania (2023 to 2024)



Despite ecosystem growth, the ecosystem remains skewed to early stage: ~75% of start-ups are early stage, with limited progression into growth as funding and support become more constrained at later stages

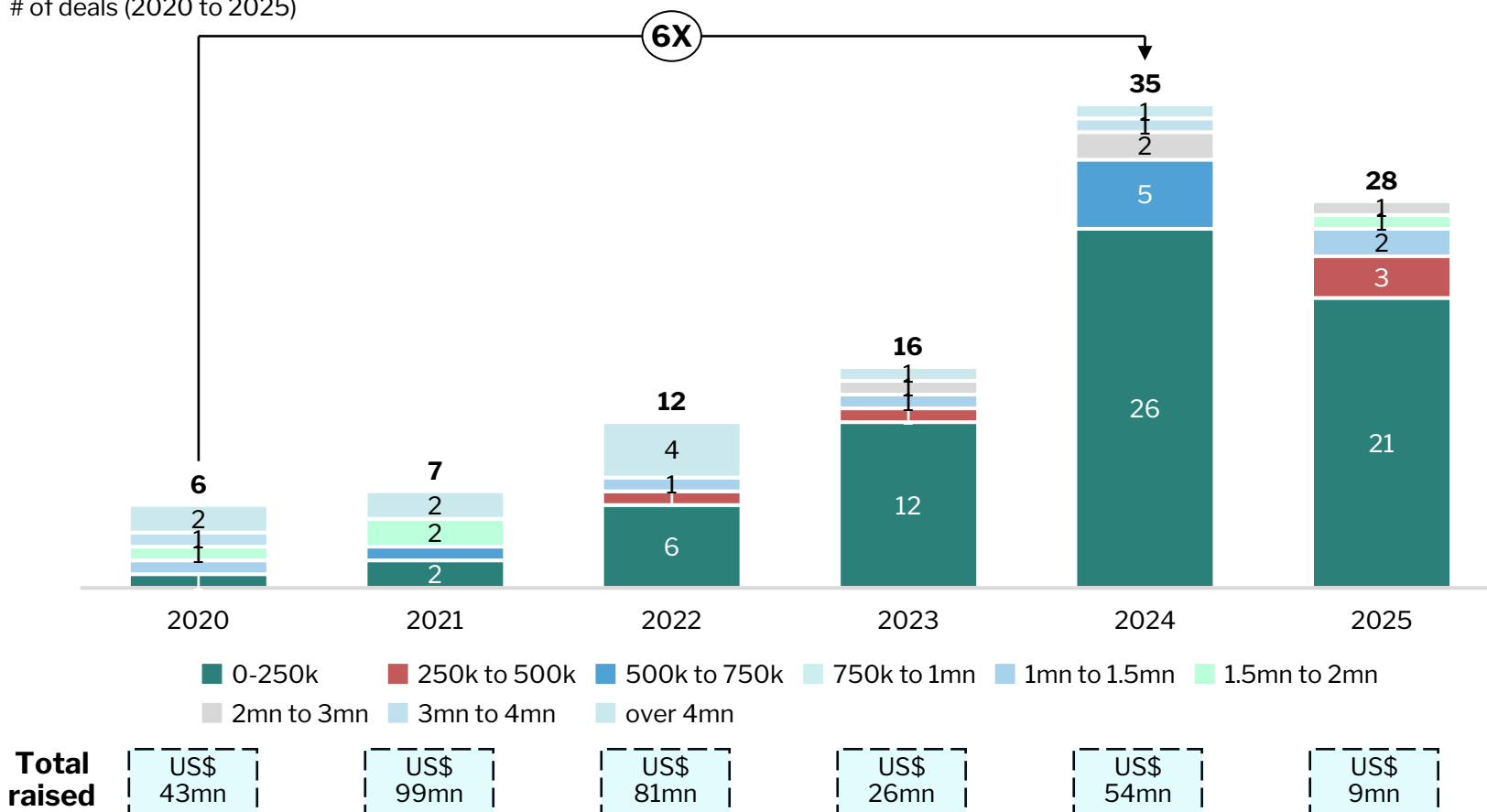
Notes: 1. Funding instruments & support listed are general instruments for those stages (not necessarily available in Tanzania); 2. The Dar es Salaam Stock Exchange (DSE) has not served as a startup exit venue, and listing requirements (incl. ~3-year track record and profitability) limit accessibility for early- and growth-stage start-ups. Sources: FUNGUO Landscape Study for Entrepreneur Support In TZ, Africa The Big Deal Database

Deal activity: Deal volume has grown six-fold since 2020, but over 80% of transactions remain below US\$250k, limiting start-ups' ability to scale

Deal volume has grown significantly, but remains concentrated in sub-US\$250k rounds, with limited activity in the US\$250k–US\$2mn range, highlighting a gap in growth-stage capital

Number of deals by ticket size in Tanzania

of deals (2020 to 2025)

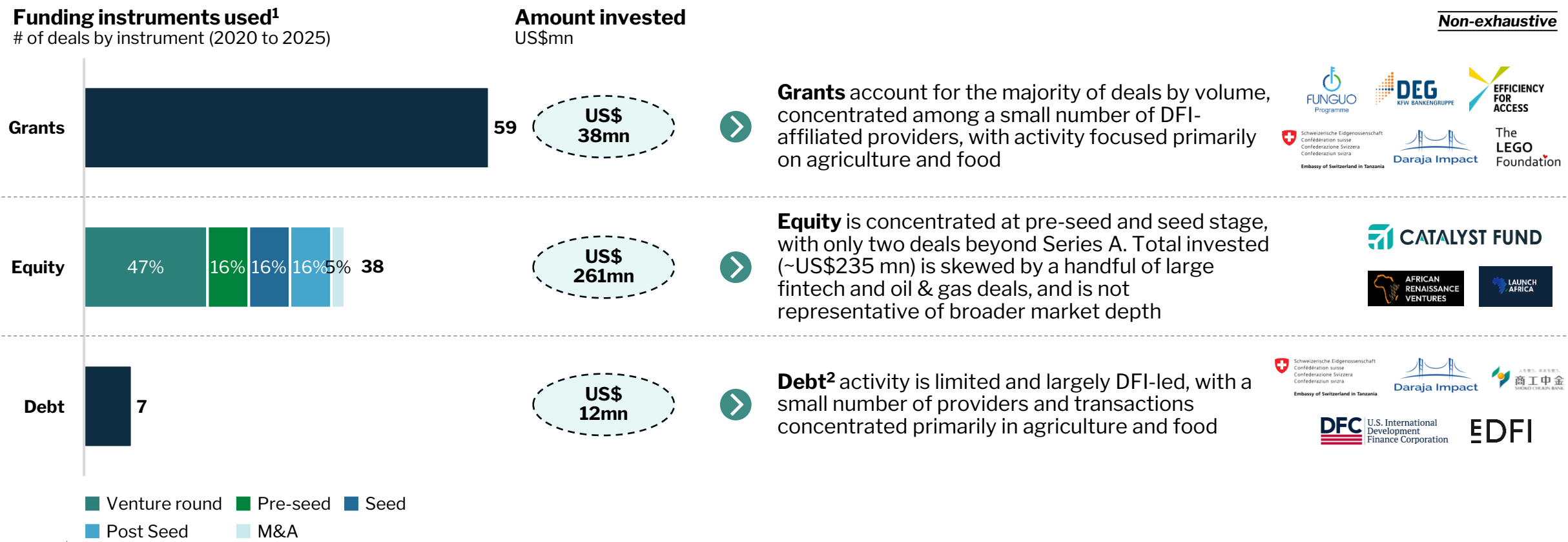


- **Tanzania's deal activity has scaled materially** (6 deals in 2020 to 35 in 2024), indicating a **growing pipeline of investable start-ups**
- **Capital deployment remains volatile** (~US\$99mn in 2021 to ~US\$26mn in 2023, recovering to ~US\$54mn in 2024), indicating **inconsistent capital availability despite rising activity**
- **Growth in deal activity has not translated into funding maturity**; ~75% of deals remain below US\$250k, minimal activity in the US\$250k to US\$2mn range, and very few deals above US\$ 2mn (2 in 2024; 1 in 2025), highlighting a **structural gap in growth-stage capital as start-ups look to scale**

Funding mix: Tanzania’s funding ecosystem is grant-led in activity and equity-led in capital, but concentrated at early stage with limited scale-up funding

Grants dominate deal volume; equity remains early-stage with minimal scale-up financing beyond seed funding

Capital is concentrated among a small number of providers and sectors, with limited diversity in funding sources and deployment



Support organisations: Tanzania has a broad base of s, but support is concentrated in technical assistance and small-ticket funding, limiting scaling

- Tanzania's early- to growth-stage SME ecosystem includes a **broad base of multisectors**, largely concentrated in Dar es Salaam, spanning acceleration, incubation, business development, and innovation infrastructure, and defined more by **type of support than sector focus**
- However, support is **skewed toward technical assistance and small-ticket funding**. Tickets are typically <US\$100k, rarely exceeding ~US\$350k, with **no institutional pathway bridging to growth-stage capital**. As a result, start-ups leaving early-stage programmes lack a clear route to scale

types

Non-exhaustive



Innovation hubs



Provide shared spaces, tools, training, and collaboration platforms that foster entrepreneurship, experimentation, and innovation



Incubators



Support early-stage SMEs in turning ideas into viable businesses through mentorship, training, shared workspace, and sometimes seed funding



Accelerators



Provide time-bound programmes for start-ups with initial traction, providing mentorship, investor access, and strategic support to accelerate growth



Business development service providers



Offer business support services such as training, advisory, market access, and networking to improve performance and scalability

Examples of s

Type of support

Ticket size (US \$)



Tech, impact, climate and early-stage support

40k to 50k



Early-stage support

10k to 50k



Mentorship, partnership, fundraising support

220k



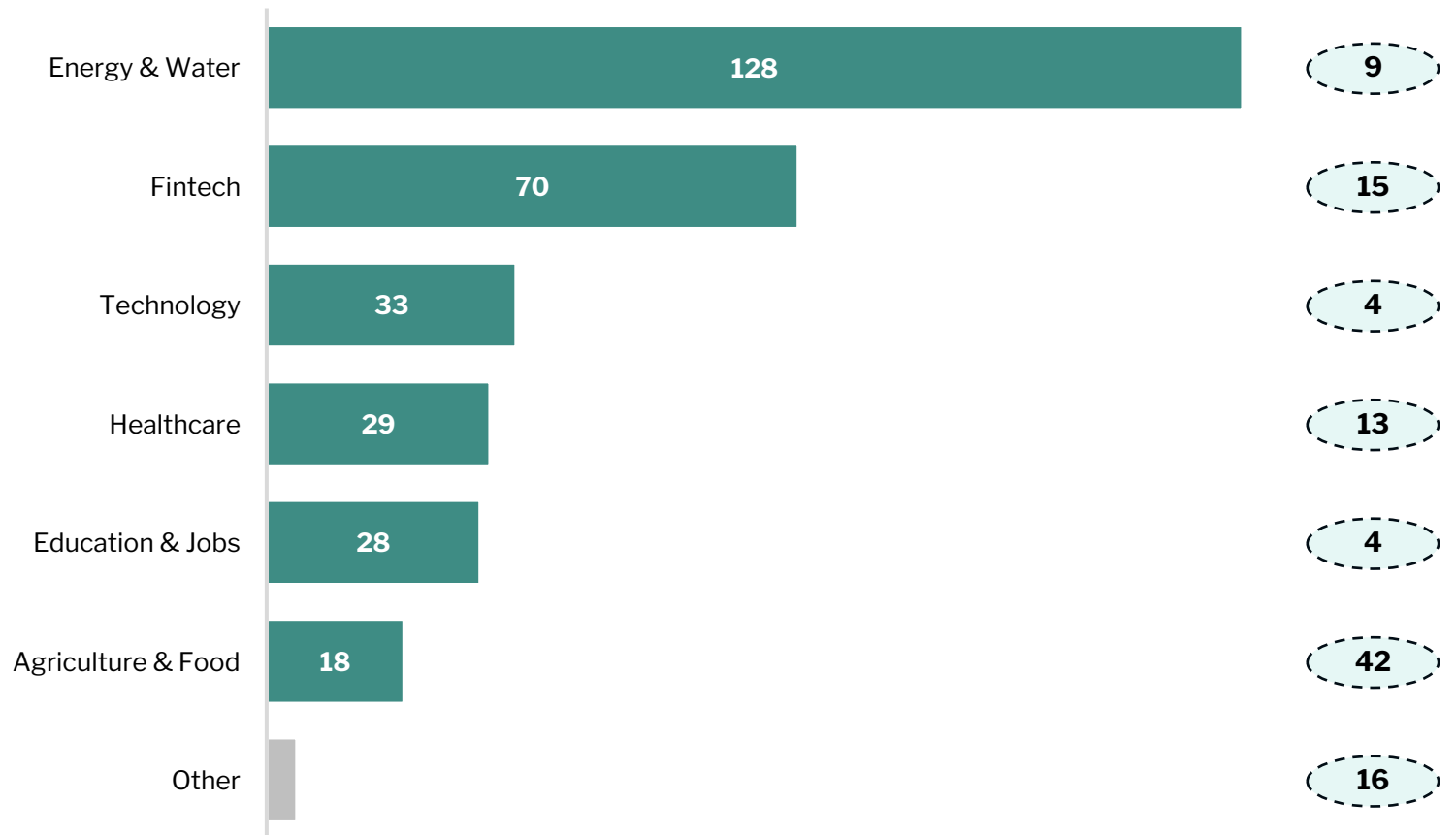
Seed capital, mentorship

~50k

Sector concentration: Investment is concentrated in energy, fintech, & technology while agriculture remains underfunded despite its importance to Tanzania's economy

A small number of sectors capture most capital, while agriculture attracts the most deals but far less funding per transaction

Investments in Tanzania by sector
US\$mn (2020 to 2025)



Key sector implications

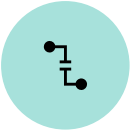
Capital concentration highlights where investment is proven & where sectors remain underserved

- **Energy-linked sectors anchor investment but create spillover opportunities:** Energy attracts the largest capital pools, but also drive demand in adjacent sectors (e.g. logistics, services, supply chains), creating indirect opportunities for start-ups and MSMEs
- **Fintech and technology show proven investability:** The concentration of investment in these sectors suggests investor preference for asset-light, scalable models that fit current capital deployment priorities. As a result, these sectors are more accessible for private capital and a natural entry point for investors
- **Agriculture remains structurally underfunded despite economic importance:** While agriculture is central to Tanzania's economy (~25% of value added; employs two-thirds of the population), agriculture-focused start-ups attract relatively limited investment, pointing to a gap in capital flowing to innovation in the sector



Capital concentration highlights an opportunity to focus on scalable sectors already driving deal flow (energy, fintech, technology) while selectively addressing underfunded areas such as agriculture

Structural constraints: Ecosystem limitations constrain early- to growth stage SME growth and prevent capital from being deployed efficiently at scale

	Constraint	Evidence	Implication
Supply-side	 Limited pipeline of investment-ready start-ups	~70% of start-ups are pre-revenue, with limited track record, governance, and operational maturity	➤ Capital cannot be absorbed at scale; increasing supply of funding alone will not translate into deployment without parallel pipeline development
	 Skills and capacity gaps across start-ups	Founders often lack financial, operational, and strategic capabilities to meet investor requirements	➤ Weak execution reduces investability and performance, reinforcing investor caution and limiting follow-on capital
Demand-side	 Concentrated & underdeveloped domestic investor base	Domestic investment is highly concentrated, with limited angel, corporate, or institutional participation	➤ Lack of local co-investors reduces market signalling, increases diligence costs, and raises perceived risk for foreign investors
	 Limited regional investor participation	A wider pool of regional investors could invest in Tanzania, but many lack on-the-ground presence, local networks, and market visibility	➤ Cross-border capital remains harder to activate, reducing the number of credible co-investors and slowing deal execution
Environment	 Regulatory friction for investments	Approval requirements, transaction costs, and a ~US\$500k minimum foreign investment threshold create barriers for early-stage deals	➤ Frictions are proportionally highest where deal sizes are smallest, deterring precisely the segment where the funding gap is most acute
	 Limited and uncertain exit pathways	M&A activity is limited, IPO routes are underdeveloped, and exit track records are sparse	➤ Weak exit visibility constrains expected returns and reduces willingness to deploy short-term or higher-risk capital

Regional regulatory comparison: Tanzania's regulatory framework is improving but remains less enabling than peers, particularly on capital entry, mobility, and exits

 Highly Supportive
  Moderately Supportive
  Not supportive

Country	Startup capital raised 2020 to 2025 (as a % of GDP)	Capital gains tax	Corporate tax rate	Startup policy	Investment criteria/ thresholds	Cash repatriation	Exit laws and taxes	Commentary
 Tanzania	US\$311mn (0.4%)	30%	30%	Draft stage				Improving environment but still constrained by high entry thresholds (US\$500k) and restricted FX/repatriation, limiting investor flexibility and capital mobility
 Kenya	US\$4,517mn (3.3%)	15%	30%	Awaiting ratification				Most mature ecosystem, with low entry barriers (US\$100k) , more flexible capital flows, and a more established investment and exit environment
 Uganda	US\$164mn (0.3%)	30%	30% (or lower)	In development				Developing ecosystem with moderate entry thresholds (US\$250k) and partially constrained capital mobility, limiting scalability of investment activity
 Rwanda	US\$127mn (0.8%)	10%	28% (lower for micro-enterprises)	Awaiting ratification				Most investor-friendly framework, with no minimum threshold , open capital regime, and a supportive policy environment enabling easier capital entry & deployment
 Zambia	US\$45mn (0.2%)	None	30% (lower for small entities)	In development				Early-stage ecosystem with no formal minimum threshold , but limited depth and less developed investment and exit environment



Unlocking greater investment will require targeted regulatory improvements

- Capital flows are driven by ecosystem maturity and enabling conditions, not just economic scale: despite a GDP only ~56% larger, Kenya attracts >14x more capital than Tanzania
- More enabling regulatory environments in Kenya and Rwanda, including lower investment thresholds, more flexible capital mobility, and clearer exit pathways, support higher investment activity
- While Tanzania's framework is improving, constraints such as higher thresholds, tighter repatriation, and a less developed policy and exit environment continue to limit capital entry, deployment, and recycling

Regulatory environment: The regulatory framework continues to favour large-scale investment, limiting early-stage capital formation and ecosystem depth

Ecosystem improvements underway

- **Startup-relevant reforms are beginning to emerge.** The development of the startup policy, the Digital Economy Strategic Framework and work on startup, PE/VC, and sandbox-related reforms indicate that start-ups are becoming more visible in national policy discussions
- **Broader regulatory reform blueprint is reducing some friction.** Tanzania's reform agenda, including fee reduction and investment reforms, signals a more pro-business stance and a willingness to improve the operating environment
- **Institutional frameworks are catching up.** The Tanzania Investment Centre (TIC) has improved digital processing and investor servicing, while draft VC/PE regulations (2024) indicate movement toward a formal fund regime



Investment thresholds

The policy framework still favors large investment, not venture capital, and foreign investors face a **US\$500k minimum investment threshold**



Fund formation/PE-VC setup

Current rules **do not recognise the GP-LP structure**, and the draft PE/VC regulations limit fundraising to **sophisticated investors only**



Exit laws & M&A

Local exit routes **remain limited**, with few IPO/liquidity options and cumbersome M&A processes, making exits less predictable



Tax treatments and returns

Tanzania has **no separate capital gains tax**, but gains on investment assets such as shares are taxed under the **income tax framework**

Remaining structural gaps

Implications for the ecosystem

Early-stage investors are still discouraged, and seed capital remains limited

Fund formation remains cumbersome, and fewer venture vehicles are setup locally

Investor risk stays high, limiting capital recycling and reducing appetite for venture investments

Net returns remain less predictable, and LP appetite stays constrained

Conclusion: Tanzania's early- to growth-stage SME ecosystem is growing, but capital, regulation, and ecosystem development must advance together to unlock scale

	What is constraining growth	Implication	What needs to change
 Capital	Deal volume has grown six-fold since 2020, but over 80% of transactions remain below US\$250k, growing activity without funding maturity	The US\$250k–US\$2mn early-to-growth range is structurally unserved , creating a gap where companies cannot progress from early-stage to growth-stage capital	• Financing instruments (e.g. equity, convertible structures, venture debt) are needed in the US\$250k–US\$2mn range where commercial capital is not yet flowing • A blended finance approach, combining concessional and private capital, presents an opportunity to absorb early-stage risk and make growth-stage deployment sufficiently attractive for private investors to follow
 Ecosystem	The early- to growth-stage SME base has grown to over 1,000, yet ~75% remain at early stage and ~70% were pre-revenue in 2024 , a pipeline expanding but not yet progressing to scale	Early- to growth-stage SMEs that outgrow support face a gap, as there is no institutional pathway to access growth capital	• Capability building, investment readiness, and strengthening should be positioned as complements to capital provision • Clearer pathways are needed for startups that have outgrown support but cannot yet access institutional capital
 Regulation	Reforms are moving in the right direction, (incl. draft startup policy, investment centre improvements), but friction persists around fund structuring, capital mobility, and exit pathways	Early-stage deals are disproportionately constrained by a US\$500k minimum foreign investment threshold and not-yet-fully-recognised GP-LP structures	• Tanzania's draft startup policy would benefit from clearer investment thresholds, fund structures, and tax treatment • Reducing friction for smaller-ticket deals, drawing on peer markets like Kenya and Rwanda, would improve competitiveness for early-stage capital

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